TODAY'S WEATHER—PARIS: Rain early, clearing later. Temp. 64-54 (18-12). Tomorrow partly cloudy. Yesterday's temp. 68-54 (20-12). LONDON: Some showers. Temp. 66-50 (18-10). Tomorrow little change. Yesterday's temp. 64-50 (18-10). CHANNEL: Moderate. ROME: Sunny. Temp. 84-61 (29-16). NEW YORK: Sunny. Temp. 84-54 (29-12). Yesterday's temp. 86-55 (30-13).
ADDITIONAL WEATHER—PAGE 2.

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post

Austria	7 S.	Libya	9 Piast.
Belgium	10 B.F.	Luxembourg	10 L.Fr.
Eire (inc. tax)	9 P.	Morocco	1.20 Dh.
Denmark	1.75 D.Kr.	Netherlands	0.85 Flor.
France	1.00 Fr.	Nigeria	2/6
Germany	1.00 D.M.	Norway	1.75 N.Kr.
Great Britain	7½ P.	Portugal	6 Esc.
Greece	8 Dr.	Spain	12 Pes.
India	Rs. 2.25	Sweden	1.50 S.Kr.
Iran	25 Rials	Switzerland	1.00 S.Fr.
Italy	150 Lire	Turkey	4.25 T.L.
Israel	I£1.00	U.S. Military	$0.15
Lebanon	75 P.	Yugoslavia	2.00 D.

No. 27,510 ** PARIS, MONDAY, JUNE 28, 1971 Established 1887

Ellsberg to Surrender Today; High Court's Ruling Expected

High-Wire Walker of Notre Dame

By Elisabeth Vinocur

PARIS, June 27 (AP).—A little man in black danced against the gray Paris sky yesterday looking down and laughing from a tightrope strung between the two towers of the Cathedral of Notre Dame.

He juggled balls, pranced back and forth and lay down on the cable stretched 225 feet above the ground. A crowd applauded. The police, feeling a bit silly, gave up efforts to get the man down after hunting for winches, ropes and rescue specialists.

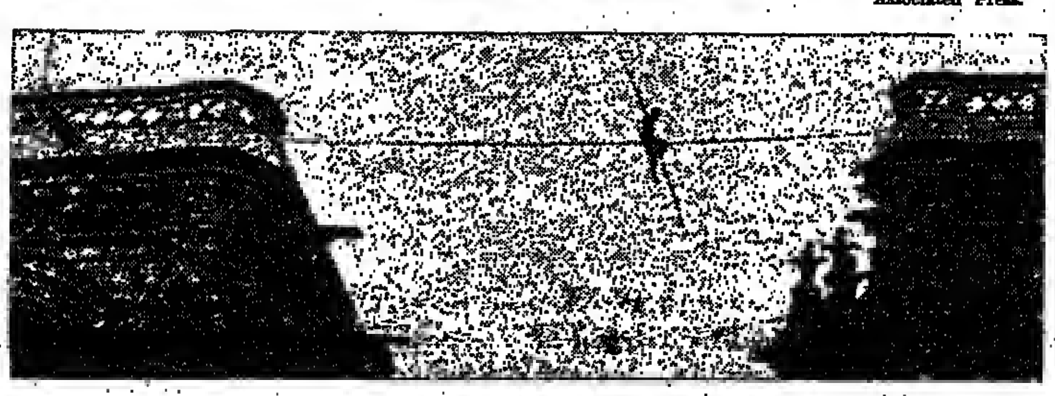
The tightrope walker turned out to be Philippe Petit, 21, a professional. After three hours, he descended on his own, went from rain, then was taken back up, inside, to dismantle his gear.

Mr. Petit told police he did the high-wire act as a publicity stunt. He said he climbed the interior stairway Friday night, after padding his cable with rags so as not to scratch the historic stones of the cathedral. After several hours in a police station yesterday, he was released without charges.

Traditionally, the cathedral, built from 1163 to 1345, has been a home for jugglers and acrobats. During the Middle Ages, such performers regularly gathered outside its main entrance.

Two years ago, at the start of the Paris peace talks on Vietnam, a team of Alpine specialists raised a Viet Cong flag on the cathedral's highest steeple. The police had to send a helicopter to remove it. None of the department's specialists dared to make the climb.

Associated Press.



He Is Said To Possess Secret Data

By Robert M. Smith

BOSTON, June 27 (NYT).—Two lawyers representing Daniel Ellsberg said yesterday that he would give himself up here to the federal government tomorrow morning.

The Justice Department announced early yesterday morning that a warrant had been issued for Mr. Ellsberg's arrest on charges that he had "unauthorized possession of top-secret documents and failed to return them."

Mr. Ellsberg, 40-year-old senior research associate at the Massachusetts Institute of Technology, has been reported to be the source of the Pentagon study that The New York Times drew upon for its series on Vietnam. The Times has declined to discuss the source of its materials.

The lawyers, Charles R. Nesson, a professor at the Harvard Law School, and Leonard B. Boudin, a visiting professor at the school, would not disclose where Mr. Ellsberg was or whether they had been in touch with him.

Request For FBI

Speaking at a news conference, the lawyers said that they had asked the Federal Bureau of Investigation not to look for Mr. Ellsberg during the weekend.

Asked whether the FBI would honor the request, Ralph Rampton, assistant agent in charge of the bureau's Boston office, said: "A warrant is outstanding for the arrest of Dr. Daniel Ellsberg and we have our duty to execute that warrant."

The warrant was issued in Los Angeles, where a federal grand jury has been looking into the leak of the Pentagon Papers. Mr. Boudin and Mr. Nesson said that they had not yet seen the court papers. "We don't know what crime is alleged," Mr. Boudin said, "the government won't show us the affidavits, complaints, warrants." Mr. Nesson said that the FBI had "declined to do more than read the warrant to us."

The lawyer said that Mr. Ellsberg would turn himself in a 10 a.m. tomorrow at the U.S. attorney's office in the post office building in Boston. Mr. Boudin gave three reasons he thought "a regular working day would be appropriate": the immediate availability of a magistrate, the availability of a federal judge and the necessity of raising bail if required.

Spock Example Cited

"If the government would agree that if Ellsberg appeared today, he could be released in his own recognizance, like Dr. Benjamin Spock was several years ago in this same district, there would be no difficulty in having him appear today," Mr. Boudin said.

"If any of you are ready to contribute to a bail fund," Mr. Boudin said, "maybe we'll produce him today."

"If there is any reason why the government is precipitate," Mr. Boudin said, "why should we be precipitate?"

The lawyer pointed to what he called the "unusual" issuance of the arrest warrant "at midnight and 11 hours before the Supreme Court hears the Times case."

"I don't think the Supreme Court is capable of being influenced," Mr. Boudin added, "but I think the administration is capable of thinking the court could be influenced."

He said that a ruling by the

(Continued on Page 2, Col. 6)

United Press International.

COURT LINE—Crowds line up outside the Supreme Court Saturday to witness the historic legal battle over the publication of the Pentagon Papers on Vietnam war.

Nine Justices Hear Arguments By Times, Post, Justice Dept.

By John P. MacKenzie

WASHINGTON, June 27 (WP).—The Supreme Court is expected to wind up its term tomorrow with a decision settling the right of the press to publish, or the power of government to suppress, the story of the Pentagon Papers.

After taking under advisement during the weekend the cases of the United States v. The Washington Post Co. and The New York Times Co. v. the United States, the court will convene at 10 a.m. to deliver decisions and, according to an announcement last week, recess for the summer "unless otherwise ordered."

Several other fateful decisions await the final word from the highest court. They include the petitions of as many as 150 of the nation's 650 death-row inmates, the constitutionality of government financing that helps religious education, the conscientious objector case of Muhammad Ali, the constitutionality of less-than-unanimous criminal jury verdicts, and many others.

If the justices are unable to deliver full opinions in the newspaper case tomorrow, some observers see the likelihood of an order followed by written opinions explaining the reasoning of the majority and dissenters.

Previous Cases

That was the course followed on other rare occasions, such as the Julius and Ethel Rosenberg case in 1953 and the Little Rock school desegregation crisis of 1958, when the court expedited its ruling but needed more time to spell out the controlling principle of law.

The newspaper case, in which the press contends that First Amendment freedoms already have been eroded by a series of court-imposed restraints, marks the first time in history that even temporary press injunctions have been issued because of government claims of danger to the national security.

The historic dispute, which began only two weeks ago, rocketed through the federal courts and overtook the justices just as they were trying to complete a term that already had been packed with major decisions and often

(Continued on Page 2, Col. 7)

Pravda Sees Factional Upheaval

Russian Struggles to Explain U.S. Press Use of War Papers

By Bernard Gwertzman

MOSCOW, June 27 (NYT).—A leading Soviet commentator sought to explain yesterday how it could happen that part of the secret Pentagon report on Vietnam—obviously embarrassing to the U.S. government—were published in The New York Times and other American newspapers.

It has nothing to do with claims of a free press in the United States, Yuri Zhukov, Pravda's chief commentator, said. It was because powerful "clans" of big business were tired of declining profits and decided to use The Times and other newspapers as their "tool" in fighting other big monopolies.

Mr. Zhukov's lengthy article was the talk of the American community in Moscow yesterday. One senior diplomat said that his reasoning about the arcane, behind-the-scenes activity in the United States resembled some of the more far-fetched analyses about how the Soviet Union is ruled that have appeared in Western publications.

Mr. Zhukov said that "American propaganda" was trying to make the best of a bad situation and turn the publication of the documents to its advantage.

"Mopping the dirt from their brow, they are trying to put on a smiling face: See, how in America we have a free, strong, unconquerable and invulnerable press! See how great is the advantage of American democracy!" he said.

"Stop grimacing, gentlemen," he said. "In your society, which is ruled by the dollar, such ideas can be put in mothballs. . . . As the French say, 'It's too beautiful to be true.'"

"What is taking place now in the American press reflects a real, profound development: The

(Continued on Page 2, Col. 6)

Malta Bars Vessels of U.S. Navy, Russian Cruiser May Pay a Visit

WASHINGTON, June 27 (Reuters).—The Maltese government has informed the United States that it does not wish to receive visits from U.S. naval ships for the time being, State Department officials said today.

Malta has asked for a halt to such visits "pending revision of general arrangements," officials said in response to questions.

"We suppose that in due course they will tell us what they mean by that phrase," one official said.

U.S. and NATO officials in Naples today maintained an embarrassed silence amid signs of a growing row between the Atlantic alliance and Dom Mintoff, the new Labor prime minister of Malta.

The row was sparked last week by Mr. Mintoff's reported expulsion of Italian Adm. Gino Birindelli, NATO naval commander in the Mediterranean.

The admiral was said to have been declared persona non grata in Malta. He has disappeared from public view and is now said to be somewhere in Italy.

Malta, strategically placed between Sicily and the North African coast, has some of the finest dockyards in the Mediterranean and is a key outpost for naval control of the narrow gateway between the eastern and western ends of the sea.

NATO Session Possible

NATO Secretary-General Manlio Brosio may call another meeting of alliance representatives in Brussels tomorrow to discuss future relations with Malta. But a NATO spokesman said no session had been planned so far.

Reports of worsening relations between NATO and the Maltese government come at a time when the Western powers are making considerable efforts to step up their forces in the Mediterranean to counter the growing Russian presence there.

In Naples today a spokesman for the U. S. Sixth Fleet—not a NATO unit except on special tasks—declined all comment on a British press report that Mr. Mintoff had blocked a visit to Malta by the fleet scheduled for the second week of July.

Declining to reveal whether such a visit has been planned, he said: "This is a matter for the State Department. It is between the government of the United States and the government of Malta."

Here in Washington last night, a Defense Department spokesman confirmed the British report's statement that a Russian cruiser had been waiting last week off the Italian island of Lampedusa, about 100 miles west of Malta.

"I just cannot confirm if it is still there, as I do not know for sure," the spokesman said. The report said that the Russian vessel was waiting for a go-ahead from Mr. Mintoff to sail into Valletta Harbor.

At NATO's Southern Command headquarters in Naples, a spokesman declined comment on press reports that the council of the 15-nation alliance in Brussels was considering the possibility of moving Mediterranean headquarters from Malta to Italy.

NATO's only word so far on the reported Maltese expulsion of Adm. Birindelli has been a brief communiqué issued in Naples Friday saying that the admiral was in Italy and had been summoned to Naples by Adm. Horacio Rivero, commander of allied forces in Southern Europe.

Adm. Birindelli, who took part in bold underwater raids against British naval dockyards in the Mediterranean during World War II, is known for his outspoken right-wing political views, which appear hardly likely to suit Mr. Mintoff.

Sues Stand at Issue

In a recent newspaper interview he also spoke out against proposals to reopen the Suez Canal, saying that this would favor the Soviet Union—a view also unpopular in Malta, which has lost considerable trade and maritime traffic through the closure of the canal.

The row is causing a minor political storm in Rome. Gianni di Benedetto, president of the Senate defense committee, has accused Mr. Mintoff of "arrogance" toward Italy, and called for a reexamination of NATO's Mediterranean strategy. Communist deputies demanded the ouster of Adm. Birindelli from his post.

28 in Lodz Get Tourist Visas, Flee to Italy

GORIZIA, Italy, June 27 (UPI).—There were 28 of them, ranging in age from two to 61, and they wanted to escape to the West. So, police said yesterday, the group, all members of six Polish families living in Lodz, obtained tourist visas to go to Yugoslav spas along the Adriatic Sea.

After crossing Czechoslovakia and Hungary by train the six families contacted a man at Zagreb who police say helps fleeing Easterners and took a taxi to the Yugoslav border with Italy.

Late Friday they walked across the border to ask for asylum. Police said it was the largest group to cross in the Gorizia area in 15 years and raised the total of refugees this year to 53.

Airlines Meet Tomorrow on Fares

By Richard Witkin

NEW YORK, June 27 (NYT).—Should the new youth-fare bargains for transatlantic flights be made permanent and be offered to senior citizens as well?

What new cut-rate packages should be put together for those travelers past the guitar-and-knapsack age but not yet drawing social security?

These will be prime topics of a scheduled month-long meeting of some 80 scheduled airlines that opens in Montreal tomorrow.

The lines make up most of the membership of the International Air Transport Association, an organization that has long been the mechanism for working out fares for the members' international flights.

Because of the industry's generally bleak economic condition and the complications of rapid technological and sociological change, the Montreal meeting is looked on as probably the most challenging ever.

Need Answers

"We've got to come up with some hard answers this time," said one highly placed American executive, "or the IATA system could soon break down. Though we have never wanted it, governments would have to step in."

It is never easy to come up with the right answers, particularly since IATA rules require unanimous agreement to forestall price wars the airlines fear would be disastrous.

But this year the difficulties confronting the IATA delegates are indeed formidable. Two things have happened with excruciatingly bad timing.

● First, the business recession has hit the industry at just the time when the airlines are having to take delivery of jumbo jets they ordered a few years back when growth curves on air travel

(Continued on Page 2, Col. 3)

Experts Studying U.S.-Soviet Linkup in Space

Texas Talks End, Moscow Next

HOUSTON, June 27 (AP).—Soviet and U.S. space experts completed five days of discussions Friday on development of a compatible docking system and announced that study was under way on plans for the linkup in space of American and Soviet spacecraft.

A statement said that a study on how to test compatible docking systems "would be based on the premise that the first such experiment might be the docking of an Apollo (United States) spacecraft with a manned orbital scientific station of the Salyut-type (Russian)."

It added: "A subsequent experiment might be docking of manned spacecraft of the Soyuz-type (Russian) with an orbital scientific station of the Skylab-type (United States).

Apollo is the command ship used in the United States manned moon program and Skylab is a U.S. science station scheduled for flight in 1973. Salyut is a Soviet orbiting space science station, one of which is orbiting the earth. Soyuz is a command ship used to ferry men to and from Salyut. Soyuz-11 is now in orbit with Salyut.

Soviet academician Boris N. Petrove, head of the 19-member Russian delegation, and Dr. Robert R. Gilruth, head of the U.S. group, said the next meeting between the space planning groups would be in Moscow at the end of this year.

The Soviet delegation arrived here last Sunday. They began formal discussions with U.S. officials on Monday. It was the second such meeting. A group of U.S. experts went to Moscow in October for discussions.

A compatible system, the statement noted, "would make it possible for spacecraft and stations to jointly carry out docking missions in outer space and, for humane purposes, would provide for a rescue capability in emergency manned flight situations."

3d Week for Cosmonauts

MOSCOW, June 27 (Reuters).—Russia's space trio today checked over their Soyuz-11 ferry craft as they became the first men to spend three weeks in earth orbit.

The news agency Tass said they also checked over the 25-ton Salyut orbital laboratory, which they boarded one day after Soyuz-11 was launched on June 6.

By noon Moscow time (0900 GMT) Salyut, which was launched unmanned in April, was on its 1,120th orbit—the 326th with the cosmonauts aboard.

Cosmonauts Georgy Dobrovolsky, Vladislav Volkov and Viktor Patsayev reported to ground control that they all felt well and all systems aboard their craft were working normally.

The cosmonauts, who beat the space-endurance record on Thursday, are likely to return to earth during the coming week, according to unconfirmed reports here.

North Vietnamese Cross DMZ In Force; 1st Time in 3 Years

By Alvin Shuster

SAIGON, June 27 (NYT).—At least two North Vietnamese regiments have infiltrated across the Demilitarized Zone into South Vietnam in the first such large-scale movement of enemy troops through the zone in about three years, military sources reported today.

The flow of Communist forces through the six-mile-wide area straddling North and South Vietnam has contributed not only to official concern but also to one of the heaviest series of enemy attacks in the northernmost province since the 1968 battles there.

Enemy shellings, ground probes and attacks have been intensifying in western Quang Tri Province in the past month and they continued yesterday and today with an assault against two companies of South Vietnamese Marines about five miles south of Firebase Fuller, briefly overrun by the Communists last week. The firebase, about ten miles south of the DMZ, was abandoned by Communist troops under heavy American air attack.

More B-52 Raids

The United States has been concentrating its air power on enemy troop positions in the northwest corner of South Vietnam with more than 100 B-52 raids there this month. The military command said today that six more B-52 missions were carried out since noon yesterday, hitting targets near Fuller and Firebase Sarge, about six miles to the southwest.

Military sources reporting the infiltration through the zone said the enemy was determined to "do as much damage as possible" before the rains come in that part of the country in August. The American presence in the province has been declining, with the South Vietnamese taking over several U.S. firebases.

The movement of regiment-size units through the DMZ has political as well as military implications. One of the conditions of the "understanding" reached with Hanoi at the time of the bombing halt in 1968 was that North Vietnam would recognize the sanctity of the zone, which stretches 40 miles from the coast to Laos.

Small Groups Sent

Since then, the Communists have sent some small groups through the zone into South Vietnam and American and South Vietnamese units reportedly have probed the zone in search of them. But larger enemy units of regiment size, for example, have usually moved from the North into Laos, around the zone area, and then into the South.

Washington officials in recent months have threatened resumption of air strikes against the North in retaliation for any large-scale movement of enemy troops across the zone.

As Week-Long Meeting Ends

Sadat, Faisal Talks Presage Unity Effort Against Israel

By Raymond H. Anderson

CAIRO, June 27 (NYT).—President Anwar Sadat and King Faisal of Saudi Arabia ended yesterday a week of strategy talks that appear to be a prelude to a new Arab effort for unity against Israel.

In a communiqué, the two Arab leaders vowed "There will be no peace in the Middle East until Jerusalem and other occupied Arab territories are liberated and the Palestinian people recover their usurped rights."

They immediately dispatched an Egyptian and Saudi to Jordan to deliver a message to King Hussein, whose troops have been involved in recurrent hostilities with Palestinian commandos.

Yassir Arafat, the main commando leader, and head of the Palestine Liberation Organization, consulted with Mr. Sadat and King Faisal during their talks.

The message to King Hussein was carried by Hassan Sabry el-Kholy, personal envoy of Mr. Sadat, and Omar el-Sakkaf, Saudi minister of state for foreign affairs. The message was said to call for a Jordanian-Palestinian accord in the interest of the broader Arab struggle against Israel.

The communiqué on the talks stressed "the seriousness of the present stage" of Arab history and warned of "the ferocity of the coming battle" against Israel.

King Faisal called on Arab and Islamic countries to support Egypt in the "fate-determining battle," praising Egypt as a "solid rock" against Zionism.

The communiqué made no mention, however, of plans for a conference of Arab presidents and kings, a proposal said to be supported by 11 of the 14 members of the Arab League. Iraq has rejected participation and the positions of Saudi Arabia and Syria have not yet been made public.

The tone of the communiqué suggested that King Faisal might not be opposed to a summit meeting, as he has been in the past.

The communiqué was silent on several other major issues in the Arab world, including the fate of Persian Gulf sheikdoms after a withdrawal of British troops from the area this year; Mr. Sadat's proposal for a reopening of the Suez Canal, and the question of Arab relations with the United States, which again has come under sharp attack as a supporter of Israel.

As a result of frustration over lack of progress toward achieving an Israeli withdrawal from Arab territory, talk has begun again of an Arab-world drive to curb U.S. economic interests, particularly oil.

The communiqué said merely that Mr. Sadat and King Faisal had reviewed "the stand of world states on the Middle East question."

Any concern felt by King Faisal, who links Communism and Zionism as a common enemy, over the Soviet-Egyptian treaty of friendship and cooperation signed last month appeared to have been overcome in the talks with Mr. Sadat.

Russia Honors Kazafuy

CAIRO, June 27 (UPI).—The Soviet Union yesterday awarded the Lenin Golden Medal of Merit to Libya's premier, Col. Moamer Kazafuy, in Tripoli, the Middle East News Agency said.

Israeli Paper Reports Talks With Russia

TEL AVIV, June 27 (Reuters).—The mass-circulation Israeli newspaper Maariv reported today that contacts between Israel and the Soviet Union, which severed diplomatic relations after the six-day war in 1967, are taking place in Finland, presumably in Helsinki.

Israeli officials in Jerusalem today denied that there have been any contacts, although Foreign Minister Abba Eban several times last week said Israel is ready for a dialogue with Moscow.

Maariv quoted sources close to the American mission to the United Nations in New York as reporting the existence of the contacts which, they said, were a direct continuation of efforts begun during Premier Golda Meir's visit to Finland several weeks ago.

It said Finnish Foreign Minister Vaino Leskinen apparently played "the role of diplomatic mailbox," between Israel and Russia during Mrs. Meir's visit to Scandinavia to attend the Socialist International in Helsinki.

Quoting highly reliable sources in New York, Maariv said Mrs. Meir met Mr. Leskinen when she made her mysterious 24-hour trip from Stockholm to Rovaniemi, in Finnish Lapland.

It added that following that initiative further contacts between Israeli and Soviet representatives took place in Finland.

Maariv said the sources did not know at what level—ambassadors or otherwise—the contacts are being maintained or whether Israel or Russia initiated them, but added that it is fairly clear the Finns are acting at someone's request.

The newspaper continued, "Diplomatic observers in New York believe the Soviet contacts with Israel serve one very important Soviet objective: to pre-empt any possibility of a Mideast settlement (full or partial) which would be a result of a unilateral American initiative.

"If Israel withdraws, the Soviets want to make sure they as well as the Americans get credit for it. In short, these contacts with Israel will accord the Soviet Mideast policy more flexibility."

In Helsinki, the Finnish Foreign Ministry today denied the newspaper report from Israel that Mr. Leskinen was acting or had acted as a "diplomatic mailbox" in contacts between Israel and the Soviet Union.

United Press International.

CHOPPER AID—Supplies being brought to Firebase Gladiator recently by helicopter south of the DMZ in Vietnam where enemy troops have increased their activity.

Moscow's Only Rabbi Is Ailing, N.Y. Man Fills In

MOSCOW, June 27 (NYT).—A rabbi from New York was called upon to conduct yesterday morning's sabbath services in Moscow's central synagogue because of the hospitalization of the Soviet capital's only rabbi, Yehuda-Leib Levin, 77.

It was believed to be the first time that a foreigner has led the orthodox congregation here and it pointed up the severe shortage of rabbis in the Soviet Union to minister to the religious needs of the country's more than two million Jews. There are believed to be only a dozen or so trained rabbis in the Soviet Union.

Rabbi Arthur Schneier of the Park East Synagogue had known the leaders of the Moscow synagogue from previous trips here. They asked him to conduct the services after Rabbi Levin was taken to a local hospital on Thursday for what was described as "serious surgery."

Japan Agrees to Take Over Defense of Okinawa in 1972

By Selig S. Harrison

TOKYO, June 27 (WP).—Japan has formally agreed to take over responsibility for the "immediate defense" of Okinawa following the return of the island in April, 1972, under an agreement with the United States disclosed today.

The long-discussed defense accord has been a political storm center in Japan and was deliberately kept separate from the overall reversion agreement signed last week. Both Okinawans and substantial elements of public opinion here view the projected role of the Japanese forces on Okinawa as symbolic of a growing militarist revival.

Leaders of the governing Liberal Democratic party wanted the sensitive defense pact put off until after the elections for the upper house of the Diet (parliament) today. American officials agreed, and final approval of a draft agreement was fixed for Tuesday at a scheduled meeting of the Japan-U.S. Security Committee but the newspaper Mainichi published the full text of the draft in a dramatic news-break on election morning today.

Opposition critics argue that the government yielded to the idea of an explicit bilateral agreement, spelling out defense obligations on Okinawa under pressure from the United States and should have insisted on its independent right to deploy Japanese forces without a binding prior commitment.

By making this the subject of an explicit bilateral agreement, the opposition argument runs, Japan implies acceptance of a "subordinate" role on the island even after its reversion.

Government spokesmen warn that the reversion agreement faces serious hurdles in the U.S. Congress and point to a statement by Sen. Strom Thurmond, R., S.C., on Friday opposing ratification. Japan can help counter congressional attacks, officials maintain, by detailing its minimum defense commitments on Okinawa now.

Sources confirm that the draft agreement envisages the assignment of ground, air and maritime self-defense force units totaling 3,200 men within six months after reversion. By July 2, 1973, Japan has agreed to provide an additional unspecified "appropriate" number of supporting troops for surface-to-air missile defense units and the operation of aircraft control and warning systems.

Nike-Hercules Batteries

The agreement specifically provides for Japan to take over three Nike-Hercules surface-to-air missile batteries currently operated by the United States as part of its air defense commitment. This is a major focus of controversy because the Nike-Hercules is a nuclear-capable missile.

Another controversial aspect of Japanese defense plans is the announced intention to operate 11 patrol boats carrying three-inch guns and 40-millimeter machine guns over a 110,000-square-mile area embracing the southern defense perimeter of the Ryukyu Island chain adjacent to Taiwan. Defense agency announcements in recent weeks have indicated that these boats will eventually be equipped with ship-to-ship missiles.

Since these maritime patrols will cover the disputed Senkaku Islands, claimed as Chinese territory by Peking and Taipei alike, "this patrolling is expected to have a delicate effect on our relations with China and Taiwan," Mainichi declared.

Under U.S. Administration

The United States has administered the Senkakus as a part of the Ryukyuan chain since the San Francisco peace treaty and is returning the islands to Japan under the reversion agreement. American officials state that this merely restores the situation existing prior to the peace treaty and does not commit the United States in the territorial dispute between China and Japan, but Japanese Foreign Ministry sources note that the United States, is planning to seek permission to use two bombing ranges on the Senkakus after reversion and contend that this amounts to U.S. support for the Japanese claim.

Press attacks on the defense accord and the recent reversion agreement warn that Japan will inevitably drift into a rigidly anti-Peking posture as a result of its military links with the United States on Okinawa.

Art for the White House

TOPEKA, Kan., June 27 (AP).—A painting by Djakarta Jim, known in the art world as D. James Orang, has been presented to the White House. Djakarta Jim is a 5-year-old orangutan in the Gage Park Zoo here. The painting is entitled "the 4th of July." A White House spokesman said no decision has been made on what to do with the painting.

World Airlines to Grapple With Atlantic Fare Problem

(Continued from Page 1)

were still climbing at a dizzying pace. There is a terrible abundance of empty airline seats.

● Second, competition from the charter flights offered by "non-skeds" (technically called supplemental airlines) has soared, despite the recession. The timing has much to do with the state of the world.

The Vietnam build-up and the nation's need for airlift to the war zone helped the non-skeds grow in size and equip themselves with up-to-date jets. As the U.S. reduced its Vietnam involvement and government airlift business dropped off, the non-skeds moved aggressively into the commercial charter market.

One of the proposed innovations likely to provoke extensive debate at Montreal is the so-called "Apex" plan. The term stands for Advance Purchase Excursion Fare. It would offer perhaps a 50 percent discount on a round-trip transatlantic ticket provided the reservation and full payment were made three or four months ahead of time and only half the payment would be refunded if the reservation was canceled. A passenger would have to stay in Europe at least three weeks—a safeguard to keep from losing income from tickets sold to businessmen who have to make quick trips abroad.

Another issue to come up at Montreal will be the proposal for making permanent the youth fares the airlines began offering on June 1. The Belgian line Sabena broke the ice by offering round trips for $220 between New York and Brussels, $376 less than the regular economy fare and $150 under the cheapest existing discount plan. Reservations would be confirmed only a short time—perhaps seven days—before departure. Also in the hopper at Montreal is a similar fare for passengers 65 or over.

Saigon Charges Reds Kill Nun, 2 Leper Patients

SAIGON, June 27 (AP).—The South Vietnamese government charged Friday that Communist terrorists broke into a Roman Catholic leper hospital and killed two patients and a nun and wounded five other patients.

The charge was made in a note from the Foreign Ministry to the International Control Commission protesting the attack last Tuesday at the Ben San leper hospital in Bien Hoa province near Saigon.

The note said:

"This slaughter of lepers and this murder of a nun of the charitable institution demonstrated the odious cruelty of which only the North Vietnamese Communists are capable."

The note called on the commission to denounce before world opinion "the barbarous and cowardly actions."

Ellsberg to Surrender Today

(Continued from Page 1)

Supreme Court favorable to The New York Times "might very well dispose of many of the issues presented in our case," since a major consideration is "whether or not the documents are national defense documents."

The lawyers were asked whether they believe or Mr. Ellsberg believes that he committed a crime. Mr. Boudin said, "I think the answer is un equivocally no."

The lawyers refused to talk about the facts of the case. Asked about the law, they would say only that they had not yet been allowed to inspect the court papers.

Mr. Boudin summed up their position this way: "What we are saying is that even if everything charged against Ellsberg is true, there has been no crime committed."

Affidavits From 6

WASHINGTON, June 27 (NYT).—The Justice Department said yesterday that it had affidavits from six persons, including Mr. Ellsberg's former wife, Carol, linking him to unauthorized possession of the lengthy document.

An affidavit released by Attorney General John N. Mitchell quoted Mrs. Ellsberg as having stated that she learned in October, 1969, that her husband was making Xerox copies of a large number of top-secret documents.

"After the Xeroxing, he cut the classification off" the papers, Mrs. Ellsberg was quoted as having told government investigators.

The affidavit also quoted Mrs. Ellsberg as having recalled that she expressed concern about the duplication of the documents and a fear that he might go to jail.

According to the affidavit, Mr. Ellsberg replied that he had done nothing illegal and that the United States had no "Official Secrets Act" such as Britain's, barring the disclosure of any state secrets.

Along with copies of the warrant announcement, the Justice Department issued copies of Mrs. Ellsberg's affidavit and three others naming Mr. Ellsberg as a suspect in the disclosure of the Pentagon papers.

Two of the affidavits were made by persons identified as security and classified document officers of the Rand Corp., a Santa Monica, Calif., research firm that has done numerous studies for the Department of Defense.

Until the government retrieved them early last week, the Rand Corp. had two sets of the Pentagon study, one in Santa Monica and the other in Washington.

The Rand officers said that Mr. Ellsberg had access to all 47 volumes of the study and that he was given custody of 27 volumes at various times during 1969 and 1970, when he was employed by Rand.

The fourth affidavit, by Courtland J. Jones, an FBI agent assigned to the Washington office, quoted Rep. Paul N. McCloskey, R., Calif., as saying that he had discussions with Mr. Ellsberg about the war. Rep. McCloskey had said previously that Mr. Ellsberg gave him a large number of documents without any security classification relating to the war.

In her affidavit, Mrs. Ellsberg described her former husband as troubled about the war and determined to take whatever action he could against it. She said that he knew things that he felt should be revealed.

But, the affidavit went on, he then said he would only give them to authorized people like Sen. [J. William] Fulbright [D., Ark.] and [Charles E.] Goodell [former Republican senator of New York]."

Testimony Again Refused

LOS ANGELES, June 27 (WP).—U.S. District Judge William Gray Friday reaffirmed an order that Anthony J. Russo, a friend and fellow employee at Rand of Mr. Ellsberg, must answer questions for the grand jury investigating the leaking of the Pentagon Papers.

Mr. Russo has twice refused to testify, once after being granted immunity from prosecution. A hearing on whether he will be held in contempt of court was scheduled for next Friday.

AP.

Charles R. Boudin, an attorney for Daniel Ellsberg, tells newsmen his client will surrender himself Monday morning.

Russian View Of War Study

(Continued from Page 1)

New York Times and other newspapers which have published secret documents are the tool of powerful forces behind the scenes," Mr. Zhukov asserted.

"The fire in the stone jungles of America was ignited because a clash developed between the powerful clans of big business, which is the real ruler of the power," he said.

Economy Hurting

Mr. Zhukov said that the economy was hurting because of the war and, as a result, "the powerful backstage forces took an extreme measure. They used the 'big press' of the United States in a clash against those who ruled undividedly in Washington until now."

The Vietnam documents continue to receive great publicity here. Yesterday, the weekly Za Rubezhom devoted an unprecedented ten full pages to excerpts from the Times' accounts of the Pentagon report.

These excerpts were carefully edited to avoid any possible embarrassment to Soviet policy. Thus, every reference to North Vietnam involvement in South Vietnam was deleted. The Russians have never acknowledged that North Vietnamese forces have ever left their country.

Hanoi Cites Papers

TOKYO, June 27 (AP).—North Vietnam said today that the secret Pentagon study on the Vietnam war has exposed the U.S. government "as the most barbaric and dangerous colonialist imperialists in history."

Hanoi's Vietnam News Agency said that the government party's daily Nhan Dan devoted a full page to a commentary on the secret report, segments of which have been published in newspapers in the United States. The commentary—an article usually written by a ranking official—was headlined: "The Most Obscene Dupery in History."

"It is necessary to condemn the vile acts of the previous U.S. governments as exposed in the classified study," the commentary said. "But what is far more necessary and urgent is [to] denounce, condemn and resolutely stop the hideous acts of the current Nixon administration aimed at fooling public opinion and thwarting the American people's interests."

The commentary said that it would be wrong to suggest that President Nixon was innocent of the "aggressive" U.S. policies disclosed in the Pentagon report:

"Nixon was Vice-President of the United States for the eight years ended 1960 and during that period of time he showed himself to be a diehard warmonger," the commentary said. "From 1961 to 1968, when he was ousted from that post, Nixon kept on supporting the war policy of [President] Johnson and the Democratic party."

Supreme Court Expected To Rule Today on Papers

(Continued from Page 1)

bitter controversy, on civil rights, crime and other vital matters.

The Times has been enjoined since June 15 and The Post since June 19 from printing more articles about the top-secret 47-volume Defense Department history of Vietnam decision-making since World War II.

Two district judges, one in Manhattan and the other in Washington, have rejected Justice Department pleas for injunctions after open and secret hearings. But the papers have been stayed from publishing under interim orders.

The latest such order, from the high court itself, would have permitted both newspapers to publish portions of articles they have prepared—with the exception of items listed by the government as still vital to national security. Both newspapers have declined to resume their articles under these conditions.

At its rare Saturday hearing yesterday, the Justice Department argued that publication of more top-secret Pentagon papers "will affect the lives" of American fighting men in Vietnam and prolong the war.

Solicitor General Erwin N. Griswold said that the justices would find, if they inspected the documents, that further disclosures from the Vietnam war history would also endanger the process of recovering prisoners of war.

Lawyers for The Washington Post and The New York Times replied that the government had offered "broad claims and little proof" other than "surmise and conjecture" to back up its case for continued injunctions.

After two hours and 15 minutes of oral argument, the justices withdrew to a private conference, taking with them mountains of secret evidence and legal briefs.

Secret Hearing Vetoed

By a 6-to-3 vote, however, the court refused a request by the government to hold a portion of the oral hearing itself in secret. Chief Justice Warren E. Burger and Justices John M. Harlan and Harry A. Blackmun voted to conduct an apparently unprecedented secret session. But the majority insisted on conducting the case in the conventional manner.

Mr. Griswold issued his warning about lives being endangered in the course of arguments over a key issue in the two cases—what standard should be applied by courts when asked to stop newspaper presses on a story said to compromise national security.

The government's top courtroom lawyer said that the government should prevail if it can show "grave and irreparable" threat of harm. He rejected the newspapers' arguments that the danger must be "immediate" and "current" as well.

Mr. Griswold said that the press and lower courts had adopted a standard that was "just too narrow for the modern world," in which the United States has global involvements and is engaged in subtle and sensitive negotiations over the war, strategic arms limitations and the Middle East.

Mr. Griswold and his opponents, William R. Glendon for The Post and Alexander M. Bickel on behalf of The Times, repeatedly skirted specific references to contested items of evidence submitted to the court under seal. The justices, all of whom took part in the argument, did the same.

Justice Potter Stewart, one of several potential swing votes in the cases, posed this question for Mr. Bickel:

"Let us assume that when the members of the court go back and open up this sealed record we find something there that absolutely convinces us that its disclosure would result in the sentencing to death of a hundred young men whose only offense had been that they were 19 years old and had low draft numbers. What should we do?"

Mr. Bickel replied, "I am as confident as I can be of anything that Your Honor will not find that when you get back to your chambers."

If such evidence did appear, Justice Stewart asked, "You would say that the Constitution requires that it be published and that these men die, is that it?"

"No," Mr. Bickel said. "I am afraid that my inclinations to humanity overcome the somewhat more abstract devotion to the First Amendment in a case of that sort." He emphasized that he had conceded since the press battle began two weeks ago that extreme cases, such as disclosure of troop ship movements, could be blocked by the courts.

Chief Justice Burger, pressing Mr. Bickel, asked whether the disclosure of the secret identity of someone "engaged in delicate negotiations having to do with the possible release of prisoners of war" was such a circumstance, although the harm was "not immediate."

Mr. Bickel insisted that the link between the publication and the harm must be "direct and immediate" and not merely mixed in with other forces affecting the national interest.

Mr. Glendon said that one of the documents produced by the government in lower courts was a summary of American war "options" that were so obvious that "any high-school boy would have no difficulty putting it together himself."

Justice Blackmun, the court's newest justice, interjected that the evidence had been "close enough to persuade one judge to disagree with what you said." The reference was to the dissent of Judge Malcolm R. Wilkey in the 7-to-2 decision of the U.S. Court of Appeals here, which upheld The Post and denied the requested injunction. Judge Wilkey, like Justices Blackmun and Burger, is an appointee of President Nixon.

Mr. Glendon replied that Judge Wilkey's statement that he saw danger to soldiers' lives "was not based on the record. There is absolutely nothing in the record to justify it."

Meanwhile, the government yesterday stopped a fourth paper from printing articles based on the secret Pentagon study.

U.S. District Judge James H. Meredith issued a temporary restraining order stopping the St. Louis Post-Dispatch from publishing its second article based on the secret documents. The order was issued just as the Post-Dispatch's Saturday edition was going to press.

WEATHER

	C	F	
ALGARVE	21	70	Partly cloudy
AMSTERDAM	15	59	Cloudy
ANKARA	29	84	Sunny
ATHENS	30	86	Sunny
BEIRUT	28	82	Sunny
BELGRADE	28	82	Partly cloudy
BERLIN	18	64	Showers
BRUSSELS	16	61	Very cloudy
BUDAPEST	26	79	Stormy
CAIRO	34	93	Sunny
CASABLANCA	33	91	Sunny
COPENHAGEN	16	61	Rain
COSTA DEL SOL	25	77	Sunny
DUBLIN	15	59	Showers
EDINBURGH	14	57	Showers
FLORENCE	25	77	Cloudy
FRANKFURT	17	63	Cloudy
GENEVA	19	66	Cloudy
HELSINKI	20	68	Cloudy
ISTANBUL	25	77	Partly cloudy
LAS PALMAS	23	73	Sunny
LISBON	25	77	Sunny
LONDON	17	63	Showers
MADRID	26	79	Partly cloudy
MILAN	25	77	Very cloudy
MONTREAL	18	65	Partly cloudy
MOSCOW	16	61	Showers
MUNICH	18	64	Very cloudy
NEW YORK	28	82	Sunny
NICE	25	77	Cloudy
OSLO	19	66	Very cloudy
PARIS	16	61	Very cloudy
PRAGUE	17	63	Very cloudy
ROME	24	75	[illegible]
SOFIA	26	79	[illegible]
STOCKHOLM	21	70	[illegible]
TEL AVIV	30	86	[illegible]
TUNIS	29	84	[illegible]
VENICE	27	81	[illegible]
VIENNA	22	72	[illegible]
WARSAW	25	77	[illegible]
WASHINGTON	30	86	Sunny
ZURICH	17	63	Cloudy

(U.S. Canadian temperatures at 1700 GMT, others at 1200 GMT.)

Effective on Jan. 1

FTC to Force Cigarette Firms To Use Health Warning in Ads

By John D. Morris

WASHINGTON, June 27 (NYT).—The Federal Trade Commission plans to take action this week to force the country's six major cigarette manufacturers to include "clear and conspicuous" health warnings in their advertisements.

The commission, dissatisfied with warnings voluntarily carried in some current advertisements, notified Congress of its intention to issue proposed complaints and orders against the six companies on July 1.

The chairman, Miles W. Kirkpatrick, explained in letters to the House and Senate that Congress was being formally notified "in keeping with the spirit" of the law against cigarette advertisements on radio and television.

One provision of the law ordered the commission to set aside a long-pending regulation to require a strong health warning in cigarette advertisements at least until July 1 of this year. It also prohibited the commission from reviving the regulation after that date without giving Congress six months' notice.

The proposed orders and complaints to be issued Thursday will not take effect before Jan. 1 Mr. Kirkpatrick said, unless consent orders are agreed to by the manufacturers.

There was no official explanation why the commission had decided to act against the companies individually instead of reviving industry-wide regulation. Congressional sources said that they had reason to believe that the company-by-company approach had been adopted in the hope of avoiding lengthy litigation.

Although the commission has issued many industry-wide regulations, its authority to do so has never been established by the courts.

Sen. Frank E. Moss, D., Utah, chief sponsor of the law against broadcasting cigarette advertisements, has been pressing the commission to revive the regulation.

In a statement he accepted the commission's decision to proceed differently as a "short but firm step in the right direction."

"I regret that the commission has not demanded the strong warning language originally proposed in its trade regulation rule proceeding," Sen. Moss added.

That language was: "Warning: Cigarette Smoking Is Dangerous to Health and May Cause Death From Cancer, Coronary Heart Disease, Chronic Bronchitis, Pulmonary Emphysema and Other Diseases."

The proposed individual orders call for the same wording as cigarette packages must now carry: "Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health."

In an effort to head off regulatory action by the commission and further legislation by Congress, seven cigarette manufacturers agreed last April to depict the package warning voluntarily in their advertisements. Parties to the agreement included four of the major companies that the commission said it would cite next Thursday.

Companies Agree

They are the Brown and Williamson Tobacco Corp.; the Lorillard Corp., Philip Morris, Inc., and R.J. Reynolds Industries, Inc. Also participating in the agreement were three small manufacturers, Larus and Brother Co., the United States Tobacco Co. and Stephano Brothers, Inc.

The other major manufacturers, American Brands, Inc., and Liggett and Myers, Inc., did not join the agreement. But Liggett & Myers has since said that it would comply with its terms independently.

"We would not volunteer to carry the warning notices in our advertisements because we do not believe it is justified," American Brands said.

In his letter to Congress, Mr. Kirkpatrick said that the commission was aware that four of the companies to be cited had recently included the package warning "in some of their cigarette advertisements."

Warning in Britain

LONDON, June 27 (UPI).—Health warnings on cigarette packages and in cigarette advertising will begin next month, according to Sir Keith Joseph, secretary for social services.

Sir Keith said last week that the tobacco industry had readily agreed to meet him regularly to review the working of the agreement and code of practice.

Manufacturers have agreed that advertisements and posters published in Britain should also carry a reference to the government health warning.

Rabbi Kahane Is Arrested at Soviet Embassy

WASHINGTON, June 27 (UPI).—Rabbi Meir Kahane was arrested today when he stood in front of the Soviet Embassy in handcuffs and shouted, "The Soviet Union is a tyranny and the Soviet Union stinks."

The arrest for disorderly conduct came after Mr. Kahane led about 300 supporters belonging to the Jewish Defense League on a march from a park near the State Department to an intersection less than two blocks from the embassy.

Police blocked the intersection, but Mr. Kahane, ringed by reporters and cameramen, walked through police lines to the iron gate of the embassy, where he made his declaration.

"The Soviet Union must be brought into disrepute for its treatment of Jews," Mr. Kahane said while standing face to face with a sergeant of the Executive Protection Service, the branch of the Secret Service charged with protecting diplomatic buildings in Washington.

Officers also arrested nine other demonstrators for violating the District of Columbia law prohibiting demonstrations within 500 feet of a foreign mission.

Bearing 'Confidential Messages'

Agnew Starts Goodwill Tour To 10 Nations on 3 Continents

By Robert B. Semple Jr.

SAN CLEMENTE, Calif., June 27.—Vice-President Spiro T. Agnew embarked today on a 31-day goodwill mission that will take him to ten nations on three continents.

Speaking briefly to reporters before he left for Hawaii this morning from El Toro Marine Corps Air Station, near the Western White House in San Clemente, Mr. Agnew said he will be taking "some confidential message" to several heads of state, whom he did not identify. But he said the messages contain "nothing of tremendous moment" and instead characterized his journey as part of a continuing effort to maintain good relationships with other nations of the world.

Officials traveling with the vice-president said that Mr. Agnew's present journey, unlike his first two overseas trips as a presidential emissary, has no controlling central theme and that some elements of the tour were incorporated at the last minute.

Ten Countries

What Mr. Agnew's present voyage lacks in specificity, however, it makes up for partly in variety. Before he returns to Washington to report to President Nixon at the end of the month, Mr. Agnew will have touched down for visits of lengths varying from one to about seven days in Korea, Singapore, Kuwait, Saudi Arabia, Ethiopia, Kenya, the Congo, Spain, Morocco and Portugal.

In most cases, Mr. Agnew will be visiting these countries for the first time, and even his well traveled boss, Mr. Nixon, has not touched base in three of them—Kuwait, Saudi Arabia and Ethiopia—during his years as vice-president, private citizen and chief executive.

Doves Assailed

PHOENIX, Ariz., June 27 (Reuters). — Vice-President Spiro Agnew Friday assailed "the supersalesmen of retreat" and said peace would have a chance in Vietnam if only they would stop trying to undercut realistic policies.

The vice-president, who leaves from California today on a month-long tour of ten countries of Asia, Africa and Europe, said the doves' latest clamor for a U.S. withdrawal date is a crude effort to play on the emotions of the American public.

Citing the "track record" of the anti-war critics on proposals they said would end the war, Mr. Agnew said the bombing halts and other U.S. concessions have still not led Hanoi to negotiate.

Critics Criticized

Addressing the Young Republicans national convention here, Mr. Agnew said in his prepared speech, "Every single step which the critics proposed has been taken, and on every occasion we had their assurance that peace would follow."

"After all these 'if onlys,' Hanoi still has not heeded mankind's concern for peace. So let me add my 'if only':

"If only the proponents of 'peace now' and 'out now' would let President Nixon conduct the foreign policy of our country, if only they would still their strident voices, if only they would cease attempting to undercut realistic policy decisions, then peace would have a chance in Vietnam.

"Then at least Hanoi would cease to hold out for the bargain rates they hope to get from the supersalesmen of retreat."

Associated Press.

MUD PARTY—One of the relaxed participants in the "Celebration of Life" rock festival in McCrea, La.

2 Drown, 1 Shot at Rock Fête In Louisiana; Food Runs Out

By Nicholas C. Chriss

McCREA, La., June 26.—Two youths have drowned and another suffered a gunshot wound this weekend as nearly 50,000 youths gathered in this remote Louisiana parish for a rock festival called "Celebration of Life."

Local police said two bodies were recovered from the Atchafalaya River. The wounded youth was shot in the legs during a disturbance that developed when a state narcotics agent attempted to make an arrest.

Tickets $28-$30

The scheduled eight-day festival is being held on a 600-acre tract of land between the Atchafalaya and Mississippi Rivers. It began Wednesday.

The "celebration" more closely resembled the end of the world to thousands of the young people. There are few sanitary facilities, no food available and no water. Tickets were $30 at the gate and $28 if purchased in advance. Most of the youths bought their tickets in advance.

The promoter, Stephen Kapelow, 29, of New Orleans, pleaded ignorance, saying that local officials stymied his plans. The officials said that they had no prior knowledge that thousands of young people would begin descending upon this quiet parish for the rock festival.

Straight Kids

But the young people were behaving "admirably," one high police officer said, although another added, "This ain't a rock festival, it's a drug festival." Marijuana, LSD and other narcotics were openly for sale. Police made relatively few arrests, however, gritting their teeth as they slowly patrolled the dusty, makeshift roads.

"We have a lot of straight kids here," state police Capt. Anthony Basile said. "They come to listen to the music and to talk. It's a crying shame that when so many of them got here they found that all this stuff they were told about that this place was supposed to have was a put-on. They were told about sandy beaches on the river. Hell, there aren't any beaches and the river is treacherous. Its undercurrent is terrible."

Many of the who arrived here left after a day or so because of the lack of facilities. The promoters sent out advance information saying that there would be food served. But very little was available, according to many of the youths, who also complained loudly about the high prices. They became so incensed over the prices two days ago that they tore down most of the concession stands. The prices went down a little after that.

They reported that they had to pay 80 cents for a stale sandwich and $1 for a can of beer. A half-orange sometimes cost 50 cents and a gallon of water sometimes cost $3.

© Los Angeles Times

Policeman Shot in Britain

READING, England, June 27 (AP).—A policeman was shot and seriously wounded tonight as thousands of fans streamed from a three-day pop music festival in this market town west of London.

The young constable was gunned down at a bus stop by a man who jumped from a car a few feet away and then drove off.

"We are convinced there is no connection between the festival and the shooting," a police spokesman said.

More than 30,000 fans attended the festival, ending at midnight tonight. Police said 115 were arrested, many on drug charges, "but the behavior has been of a high standard."

State Income Tax Is Ruled Invalid In Pennsylvania

PHILADELPHIA, June 27 (AP).—The Pennsylvania Supreme Court ruled unconstitutional Thursday the state's new 3.5 percent personal income tax.

The levy was the cornerstone of Gov. Milton J. Shapp's record $3.3 billion spending program. Without it, he argued, the state will go into fiscal chaos.

In reversing a lower-court ruling, the state's highest court said in a 5-2 decision that the tax was not uniform on all taxpayers, because it was levied on the net taxable income of the federal income tax return, which provides for exemptions, deductions and other taxable credits.

The state began collecting the tax at a 3.5 percent "catch-up" rate on May 1. In nearly two months, $135 million had been collected—and Revenue Secretary Robert P. Kane said most of it already has been spent.

Though Optimistic on Personal Progress

Americans—Except Blacks—See U.S. Declining

WASHINGTON, June 27 (WP).—The American people generally think their country has "slid backward" in the last five years, but black Americans disagree: they "sense measurable accomplishment."

These are among the principal findings of a study released yesterday by Potomac Associates, a new "research and analysis organization" here which hopes to publish six to eight short books a year on timely questions of public policy.

The study, "Hopes and Fears of the American People," is its first such effort. It is based on polls conducted earlier this year under contract by the Gallup organization.

The authors, Albert H. Cantril and Charles W. Roll Jr., asked a cross-section of Americans to rank both themselves and the country on something known as a "self-anchoring striving scale."

At the top and bottom are the best and worst possible states of affairs, as the participant imagines them. He is then asked to rank himself and the country on a scale of ten in between: where he and it stand now, where they stood five years ago, and where they will stand in five more years.

The Americans polled—about 1,500, a standard Gallup sample—felt that the country has lost ground in the last five years.

But they also felt it will make up the "lost ground" in the next five.

The average "grades" they gave the country were 6.2 for 1966, 5.4 at the time the poll was taken—January, 1971—and 6.2 again for five years from now, 1976.

The authors also discovered what they called a "seeming paradox": despite the widespread sense of national decline, Americans are generally optimistic about their personal affairs. Almost all Americans think they themselves are better off now than they were five years ago, and will be still better off in 1976.

The authors note that the "striving-scale technique" has been used in many other surveys, notably by the Institute for International Social Research at Princeton University. Mr. Cantril's father helped to develop it there.

Mr. Cantril and Mr. Roll note that the "sense of national regression" shows up among almost all population groups, young and old, rich and poor, highly educated and not, Republicans and those who think well of President Nixon as well as Democrats and those who don't.

Black Americans are the one exception to this pervasive pessimism. Their judgment was that America has moved ahead in the last five years and will continue to in the next five.

"While the progress of recent years has quite obviously not resolved the racial crisis," Mr. Cantril and Mr. Roll say, "our findings nevertheless indicate that nonwhites believe gains have been made at the national level."

Suit Alleges L.A. Hides Data On Robert Kennedy's Death

LOS ANGELES, June 27 (AP).—A suit filed Friday against Mayor Samuel Yorty, the police chief, the district attorneys and others alleged they had "deliberately, intentionally and knowingly suppressed facts and evidence" in the assassination of Sen. Robert F. Kennedy.

The Superior Court complaint for disclosure of information was brought by Theodore Charach, described by his attorney as a freelance investigative journalist. The suit also revives a recently expressed second-gunman theory, claiming "substantial evidence" that Kennedy was killed by a shot fired by a second gunman, not by Sirhan Bishara Sirhan.

Sirhan, 26, the Jordanian convicted of shooting the senator June 5, 1968, at the Ambassador Hotel, is on San Quentin Prison's death row.

An aide to Mr. Charach's attorney, Godfrey Isaac, said Mr. Charach, about 40, is a radio-television reporter for Canadian stations and a former reporter for the Winnipeg Tribune who has spent the last three years investigating the Kennedy killing.

The suit says "suppressed facts, information and evidence all tend to disprove" the defendants' conclusion that Kennedy was killed by a bullet fired from Sirhan's pistol. The complaint adds:

"In fact . . . the only gun actually linked scientifically with the shooting is a second gun, not the Sirhan gun . . .

"At the time Sirhan Bishara Sirhan commenced firing of his pistol, Ronald Schulman, an employee of Los Angeles television station KNXT, was directly behind Sen. Robert F. Kennedy and saw a uniformed security guard fire his hand gun." The district attorney "did not call Schulman to testify before the grand jury or at the trial of Sirhan . . ." Mr. Schulman is no longer employed at the station and was unavailable for comment.

The second gunman theory arose in May when Barbara Warner Blehr, a private attorney, wrote a letter to the city Civil Service Commission challenging the proposed appointment of an official as chief of the police crime lab. The appointment is pending.

She said a weapon other than the one taken from Sirhan was test-fired by the official a day after the assassination and that bullets taken from that gun matched slugs taken from people wounded during the Kennedy slaying.

DeSapio Starts Serving Sentence

LEWISBURG, Pa., June 27 (AP).—Carmine G. DeSapio, former head of New York's Tammany Hall political organization, has begun serving a two-year federal prison term here.

DeSapio, 62, was convicted Dec. 13, 1969, by a federal court jury in New York on three counts of bribery and conspiracy. He entered the federal prison on Friday.

The government charged DeSapio was involved in a conspiracy to pay James L. Marcus, former New York City water commissioner, to pressure the Consolidated Edison Co. into awarding construction contracts to a Mount Kisco, N.Y., contractor. The contractor then was to pay the kickbacks to DeSapio, the government said.

Hoffa Again Requests Release on Parole

WASHINGTON, June 27 (Reuters).—Former Teamsters' Union president James Hoffa has applied for a new hearing of his request for release on parole from prison sentences for jury tampering and mail fraud.

The Justice Department, announcing the move here Friday, said the eight-member parole board will meet July 7 to consider whether to hold a hearing on Hoffa, who is serving 13 years at Lewisburg, Pa., federal prison.

15 Die in Egypt Bus

CAIRO, June 27 (Reuters).—Fifteen persons were killed and 17 injured early today when a truck plunged into a canal near the Nile river.

300 'Jesus People' In N.Y. Proclaim Spiritual Revolt

NEW YORK, June 27 (AP).—Singing, dancing, clapping and preaching, 300 "Jesus people" proclaimed a "spiritual revolution" here yesterday and asked New Yorkers to "turn on to Jesus."

"A revolution doesn't have to be burning buildings," said Benjamin Alicea, 18, a New York University senior and one of the organizers of "spiritual revolution day."

The "spiritual revolution," sponsored by several youth organizations, reflects the growing popularity of a movement among young people who are "turning on to Jesus."

Made-in-U.S. Drugs May Cost More in U.S., too, Study Finds

By Morton Mintz

WASHINGTON, June 27 (WP).—A new government study shows that manufacturers of 20 popular prescription drugs charge druggists in the United States much higher prices generally than they charge pharmacists in eight other countries.

In the case of Darvon, a painkiller that American doctors prescribed more often than any other drug in the years 1967 through 1969, the price was more than four times as high in the United States than it was in Ireland.

Similarly, U.S. druggists pay more than three times as much as their Irish counterparts for: Elavil, a Merck anti-depressant; tolbutamide, an oral anti-diabetes pill Upjohn sells as Orinase; Librium, a Hoffmann-La Roche tranquilizer-sedative; chlorpromazine and trifluoperazine, anti-depressants that Smith, Kline & French sells as Thorazine and Stelazine, respectively; meprobamate, a sedative-tranquilizer Wyeth Laboratories trademarks Equanil; Doriden, a Ciba sedative, and a penicillin that Lilly sells here as V-Cillin K.

In other cases, the lowest prices among the eight countries were found in Brazil, Sweden and Britain, but never in the United States. The highest prices for 12 of the 20 drugs were those charged in this country; three were higher priced in Canada and Italy, and one in Brazil and Sweden. Other countries in the survey were Australia and New Zealand.

3 Negotiate

Edmond M. Jacoby and Dennis L. Hefner, who did the study for the Division of Health Insurance Studies of the Social Security Administration, point out that Ireland, along with New Zealand and Britain, negotiate with pharmaceutical firms for lower drug prices.

Italy and Brazil actually set drug prices, and Sweden regulates them. Australia considers the price of a medicine in deciding whether to include it on the list of drugs for which the government provides reimbursement.

The authors, whose report was published in the May Social Security Bulletin, also note that the United States grants drug manufacturers 17-year patent monopolies, not only on production process, but on products.

Brazil and Italy grant no patents at all on pharmaceuticals, Mr. Jacoby and Mr. Hefner say. Sweden grants them on processes alone. The other countries in the study issue patents on processes and products, as does the United States.

Economic Factors

The authors say their data do not reveal the extent to which price variations are caused by "real economic factors," such as differences in labor costs and size of markets.

But, they say, "General knowledge of the problem suggests that it would be unwise to assume that price discrimination exercised by drug producers is a minor factor." They go on to say:

"The study shows that prices in the United States for these (the 20) drugs are generally higher than in any other country studied. The lowest price for any drug was usually about one-fourth the highest price. . . .

"Although certain countries exhibited tendencies toward a high or low level of prices, these levels were not consistent for all products . . . For one category of drugs—tranquilizers—U.S. prices were highest in every case.

"Yet for Achromycin-V, an antibiotic, the U.S. price was among the lowest observed."

The authors did not note that this product, which is tetracycline, is highly competitive in price because a patent monopoly was broken.

Obituaries

A. M. Isayev, 62, 'the Von Braun' of Russia

MOSCOW, June 27 (UPI).—Soviet leaders yesterday announced the death of Alexei M. Isayev, the unknown and unheralded rocket designer who was the Wernher von Braun of the Soviet space program.

Tass, the Soviet news agency, published an obituary of Mr. Isayev that was signed by all the top Soviet leaders, including party general secretary Leonid I. Brezhnev, Premier Alexei N. Kosygin and President Nikolai V. Podgorny. The obituary said Mr. Isayev died on Friday at the age of 62. It did not give the cause of death.

"Alexei Isayev was among the first creators of rocket engines," the obituary said. "Engines created under Isayev's leadership were mounted on the manned spaceships Vostok, Voskhod, Soyuz and automatic interplanetary stations."

Although Mr. Isayev was honored privately among his fellow scientists and in the Kremlin, his obituary was the first public acknowledgment of his enormous contribution to space exploration. It is the Soviet custom to withhold the identities of space scientists until after their death.

AP. Alexei M. Isayev

Official Obituary

Thus it was that the "father of the Soviet space program," spaceship designer Sergei Korolev, was unknown publicly until he died in 1966.

The official obituary said Mr. Isayev supervised design of the powerful rocket engines that thrust the Soviet Union far ahead of the United States in the early years of space exploration. His position was equivalent of that of Dr. von Braun, the former German rocket scientist, who supervised the U.S. rocket technology.

Mr. Isayev's rockets drove Yuri Gagarin aloft in Vostok-1, and they also powered the flight off three Soyuz-11 cosmonauts, who were setting new space endurance records the day he died.

The obituary credited M. Isayev with designing rocket engines for interplanetary probes, an area in which the Soviet Union is still far ahead of the United States. The Russians have soft-landed a capsule on the surface of Venus, and two remarkably heavy Mars probes began a six-month journey to the red planet last month.

Mr. Isayev received many awards and prizes in his career, but not publicly. He was a "Hero of Socialist Labor" and he received three Orders of Lenin, the highest honor in the Soviet Union. He also had received a number of Lenin prizes and state prizes for his work.

Ethel Frankau

NEW YORK, June 27 (NYT).—Ethel Frankau, 85, director of Bergdorf Goodman's Custom Salon and a leader in couture for many years, died yesterday at her home here of leukemia.

Miss Frankau, who was widely regarded for her knowledge of French couture, was honored by France two years ago. She received the Order of National Merit.

One of her most important tasks was to buy at the showings in Paris, Rome and Milan for the store's customers. Miss Frankau, who worked until just a few weeks ago, was close to her 60th anniversary with the store.

Inia Te Wiata

LONDON, June 27 (Reuters).—The New Zealand Maori opera singer, Inia Te Wiata, 56, died in a London hospital yesterday following a kidney operation.

He became ill last month and entered the hospital on completion of a contract with the Theatre Royal, Drury Lane, where he was singing the role of the elder Johann Strauss in the musical "The Great Waltz."

The Maori bass, who established an international reputation, first came to prominence in the British theater when he was engaged by the Royal Opera, Covent Garden, in 1951.

Chen Yuan

HONG KONG, June 27 (Reuters).—Chen Yuan, 81, a member of the Chinese National People's Congress Standing Committee, died in Peking last Monday, the New China News Agency reported Friday.

President of Peking Teachers' University and a director of the Institute of History of the Chinese Academy of Sciences, Mr. Chen joined the Communist party in January, 1959.

He was Chinese delegate to the United Nations Educational, Scientific and Cultural Organization in 1949.

Hara-Kiri Committed By Mishima Disciple

KANAZAWA, Japan, June 27 (AP).—A devotee of the author Yukio Mishima, who committed suicide with a sword last November, ended his life the same way yesterday.

He committed hara-kiri naked in a museum display case, using two historic swords before 38 horror-struck spectators. The student, Tadashi Tsukamoto, smashed his way into a glass case that contained 45 swords.

Theories on Moon Age Upset; Rocks Younger Than Thought

By Thomas O'Toole

WASHINGTON, June 27 (WP).—The rocks from the moon's Fra Mauro Hills obtained by the Apollo-14 astronauts are 500 million years younger than expected, a finding that upsets several scientific theories of how the moon and earth came to be created.

Four rocks gathered up by the astronauts had ages ranging from 3.85 billion to 3.95 billion years, Gerald J. Wasserburg of the California Institute of Technology said last week. He called the results surprising "since it was anticipated that Fra Mauro would yield rocks of greater antiquity."

The main reason the astronauts went to Fra Mauro was that scientists felt it to be one of the oldest places on the moon, filled in with material that averaged 4.4 billion years in age. Mr. Wasserburg said that the ages of the four rocks he dated suggest two things about the moon that scientists had not before taken into account.

Age of Volcanism

First, the young age suggests that volcanism was active on the moon far longer than anybody thought, and was still forming the moon's crust more than 600 million years after the moon itself came into being.

It also implies that the 600-mile-wide Sea of Rains was carved out by planetoid collision 600 million years after formation of the moon, which is 100 to 150 million years later than lunar experts believed it happened.

"In this case, the earth and the moon were subject to heavy bombardment with large planetary bodies long after their formation," Mr. Wasserburg said.

"The persistence of planetary collision over several hundred million years after formation of the solar system would raise some serious questions."

Next Apollo Landings

Mr. Wasserburg said the fundamental question to be solved on the last three Apollo landings is the "true nature and age of the lunar highlands and the processes which took place on the moon" for the 600 million years that ended 4 billion years ago.

He also said it is important to determine how long volcanism and melting took place on the moon, since it would tell more about the sources of heat in the moon and earth.

"This can only be done on the moon," he said. "The terrestrial record prior to 3.5 billion years has been destroyed by the continuous mountain building activity of the earth."

3-Day Italian Hotel Strike Scheduled to Begin Thursday

ROME, June 27 (AP).—Unions representing Italy's 230,000 hotel workers called another three-day nationwide strike today after hotel operators rejected a government-negotiated compromise offer.

The unions said that the hotel owners' "intransigent attitude" toward the proposal by Labor Minister Carlo Donat-Cattin compromised any hope of reaching a settlement through government mediation.

The new strike would leave hotels without room service, bellboys, porters or restaurant and bar services for three days starting July 1. The unions invited local hotel worker associations to consider prolonging the strike for two more days.

Mr. Donat-Cattin had proposed new wage minimums of 75,000 lire ($120) a month plus board and room instead of the 95,000 lire ($152) minimum the unions originally asked. He also proposed that the present 48-hour week be reduced to 40 hours over the next six years.

The new strike would be the fourth to hit Italy's hotels this season. The wave of walkouts at hotels and in transport has been blamed by the government for this year's slight decline in tourism, Italy's biggest foreign currency earner.

A nationwide strike will close all state tobacco stores tomorrow. The government said that it could not grant the wage increases that unions were demanding without increasing the price of cigarettes.

Meanwhile, a 24-hour wildcat strike by rightist and leftist extremist groups in the nation's main labor unions paralyzed services at Rome's central railway station.

Meanwhile, Matteo Matteotti, Italy's minister for tourism, has accused foreign newspapers of publishing "inexact" accounts of conditions in Italy.

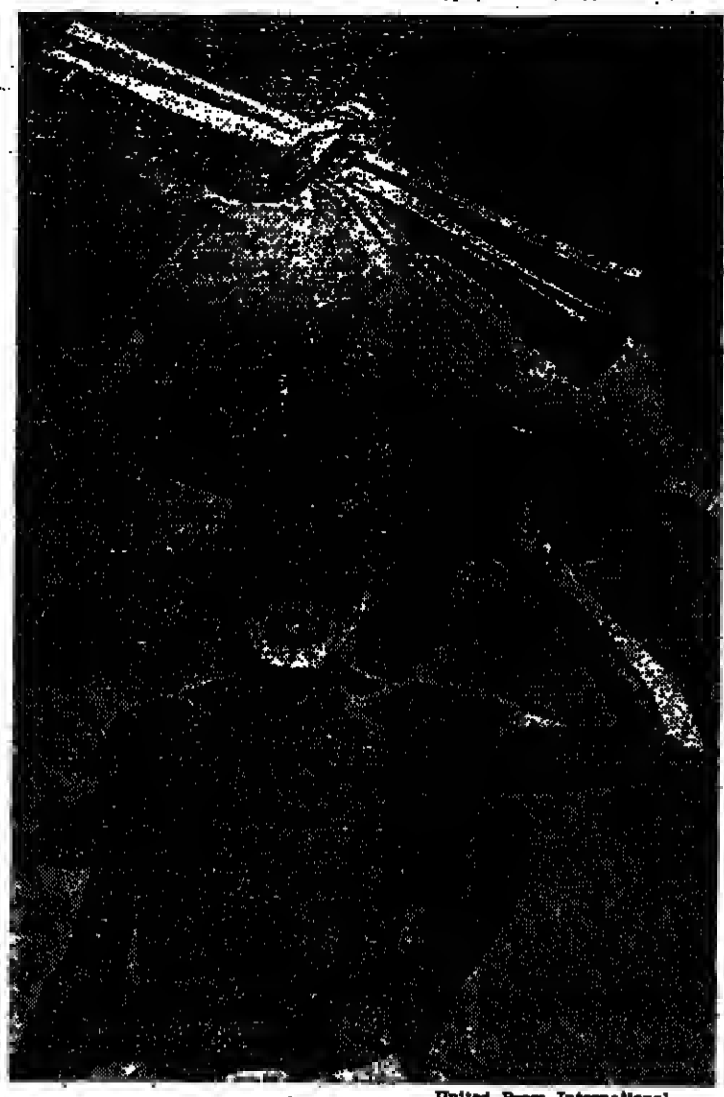
Italian, as well as foreign, media this year have written about pollution at beaches near Genoa, Naples, Rome and Venice. They also have described the inconveniences caused by a series of hotel strikes.

In a statement yesterday, Mr. Matteotti declared: "Interpretations appear falsified by inexact news often far from the truth." He gave no examples.

He charged that some reports for foreign consumption seemed to picture Italy in a negative light so as to bolster tourism in other countries. "This campaign must be denounced," he said, "because it involves a competitive trick that cannot be justified in any way."

Nigeria Executes Four

IBADAN, Nigeria, June 27 (Reuters).—Four men, among them a policeman and an army private, were shot yesterday for armed robbery. The executions by a firing squad were watched by an estimated 30,000 persons.



United Press International. TRAVELING LIGHT—Carrying his belongings and a sleeping mat, an East Pakistani refugee makes his weary way to exile in India and a new refugee camp home.

'Routine Patrol,' Newsman Told

Pakistan Unit Raids a Village In East, Kills Several Hindus

BOLIADI, East Pakistan, June 27 (AP).—A platoon of the Pakistan Army smashed into the Hindu section of this waterlogged village before dawn today, shooting men, ransacking homes and burning the market.

Twenty minutes after 24 West Pakistani soldiers and another dozen men in the uniform of the Frontier Corps from the northwest frontier more than 1,000 miles west of here, left the village, the commander, who identified himself as Major Omar, told an Associated Press newsman the troops had been on a "routine patrol."

The major, who said: "I should not have told you my name," wore a blue beret and was barefooted, leading a group carrying automatic rifles and umbrellas to stay dry in the monsoon rain. Two men carried small radios and others carried goods wrapped in cloths.

Three Bodies Seen

An inspection showed they left behind them three dead men and a desolated village still burning so fiercely that the heat drove eyewitnesses away and buckled iron sheets.

A few old women and children mourned the dead or wailed in Bengali, "They have taken everything."

The rest of the village, which local Moslem residents said once housed 100 families, had fled into the jute fields or across the creeks.

The body of an old white-haired man was stretched on a mat in the ground-floor of a two-story corrugated iron shack. A bullet had gone through his back.

Villagers said that besides the three visible bodies, another five or six were killed in the five-hour attack.

The attack occurred one hour's drive northwest of Dacca, where four British parliamentarians, investigating the situation in East Pakistan, slept on the final day of their visit and at the same time ships carrying American ammunition and spares for the Pakistan Army were heading towards Karachi in West Pakistan.

The town is the ancestral home of Justice B.K. Siddiky, the Bengali chief justice who defied orders early in March and briefly refused to swear in Lt. Gen. Tikka Khan as the new military governor of the province.

He later conducted the swearing-in after the army crushed Sheikh Mujibur Rahman and banned the Awami League, on March 25. He has been removed as head of the Pakistan Red Cross and villagers said he has been deposed as chief justice.

Moslem villagers and many students who have fled Dacca since March 25, said that since Friday, army patrols, some landing in small boats, have been striking at villages within a sixmile radius of this part of the Dacca district. Other towns named were Kaliakair, Ghapair, Kuripara and Bhringraj.

Smoke could be seen unfurling and shots could be heard through the morning from the direction of those villages.

Maj. Omar refused to give details of the patrol or to name the outfit. Villagers said they believed the attacks were connected with reports of stepped up activity by Bangla Desh (Bengal nation) secessionists based 28 miles to the north.

They said the army was now killing and driving out Hindus, but that in the early days of the army takeover Moslems were the targets.

Pakistan to Raise Taxes

RAWALPINDI, June 27 (AP).—The Pakistani government announced yesterday that it will tax the rich more harshly to pay for an increased national budget—54 percent of which will go toward "defense."

M. M. Ahmad, economic adviser to the president, said that a greater allocation had been made to East Pakistan than to the four provinces of West Pakistan.

Canada Trade Group Due in China Today

HONG KONG, June 27 (Reuters).—Jean-Luc Pepin, Canada's Minister for Industry, Trade and Commerce, leads a party of 30 Canadian government officials, industrialists and journalists into China tomorrow for a weeklong visit.

A Canadian spokesman said today that Mr. Pepin will have discussions with Chinese Minister for Foreign Trade Pai Hsiang-kuo.

West Berlin Air Fare Up

WEST BERLIN, June 27 (AP).—Rate increases of 5 percent for air travel to and from West Berlin will become effective July 1.

Investigate Advertiser

Police in Spain Question Dutch 'Paladin'

ALICANTE, Spain, June 27 (UPI).—Police Friday questioned and then released a Dutch national who offered "unspecified 'dangerous' work and 'exceedingly high' pay to divers, demolition experts and Chinese-language specialists in newspaper advertisements.

Official sources said Gerhard H. von Schubert, a Dutchman living in Alicante and with a business address in Zurich's "Bankers' Row" Bahnhofstrasse, was released after telling police that he is trying to collect a crew for underwater salvage work.

The advertisement, which has appeared in the International Herald Tribune said Mr. Schubert represents an organization called the Paladin Group. The group, the advertisement said, works behind the Iron and Bamboo Curtains.

Mr. Schubert, 34, described as fair-haired and burly, told newsmen earlier last week that he is a German national. Official Spanish sources, however, said he is Dutch.

He said that he is offering specialized electronics and demolition experts $30,000 a year. He refused to discuss the nature of his projects with newsmen.

The official news agency Cifra reported he was "arrested at the request of Spanish security police headquarters" for questioning in connection with the advertisements.

Help Wanted

The Paladin Group, the advertisements said, is looking for the services of a commercial pilot, a sea captain, a navigator, divers, electronics and explosive specialists, a camouflage expert, Chinese and Vietnamese language experts and a psychologist.

The Foreign Ministry said Mr. Schubert is a former real-estate man who is trying to branch into new fields of activity. He promised applicants "an exceedingly high income" and a "position involving worldwide travel." But he warned they must "not be afraid of the possible dangers involved."

Before he was officially questioned, Mr. Schubert told newsmen his group has "several projects coming up, and one important one which is imminent." He said the "important one" is "in a sovereign state—not Spain." He asserted the Paladin Group "employs many people, from soldiers of fortune to lawyers."

"If someone wanted a prisoner of war freed in North Vietnam we would consider the assignment," he added.

Swiss Inquiry

BERN, June 25 (AP).—Swiss federal police Friday opened an inquiry into a mystery-shrouded project to recruit what seemed to be a private commando force in Europe for alleged operations in Vietnam, China and other unspecified countries.

A Justice Department spokesman said the probe is to determine who is behind the Paladin Group.

Official sources, though not ruling out a prank, pointed out that the Swiss penal code forbids any activity in neutral Switzerland "supporting hostilities against a belligerent country."

The Zurich address given in the ad is that of a private agency which provides mailing addresses and clerical facilities for traveling businessmen.

Max Spycher, manager of agency, said that immediately after he read the ad he decided to "confiscate" all applications that are mailed to Zurich.

Mr. Spycher said Mr. Schubert contacted him in writing about a month ago, asking that a Swiss address be made available to him. "But this ad definitely violates our rules," Mr. Spycher told a reporter. "I have cabled Schubert in Alicante that we are canceling the contract."

Garand Wants Part of Fortune M-1 Rifle Might Have Earned

SPRINGFIELD, Mass., June 27 (NYT).—The man who developed the M-1 rifle, the standard infantry weapon in World War II and the Korean war, has begun a fight to reclaim part of the fortune he says he could have made if he had sold the rifle privately.

John C. Garand, now an 83-year-old pensioner, invented the rifle in 1936 and developed and commanded its production at the now defunct Springfield armory.

He says the government promised to pay him but that he got nothing for his work. He says he should receive more than a pension check for his years as chief ordnance engineer at the armory, from which he retired in 1953.

Rep. Edward P. Boland, a Democrat who lives here and who is a member of the House Appropriations Committee, has filed a bill asking that Mr. Garand be paid $100,000 for his invention.

Mr. Garand would not say what he would do if the government refused his claim, but it is believed he would test his claim in the courts.

Newsday Article On Johnson Book Draws Law Suit

NEW YORK, June 27 (NYT).—The publisher of former President Johnson's memoirs has announced that it will sue Newsday, the Long Island newspaper, that on Friday published an account of the American involvement in the Vietnam war that it said was based on galley proofs of the forthcoming memoirs.

The publisher, Holt, Rinehart & Winston, Inc., said late Friday that it would move immediately to sue the newspaper for damages and to ask for enjoining action from the New York State Supreme Court to prevent further disclosures from the book.

The book, "The Vantage Point: Perspectives of the Presidency, 1963-1969," is due to be published on Nov. 1.

Newsday concluded in its article that the memoirs "support many of the findings" of the Pentagon history of the war that were being published by The New York Times and other papers until the federal government obtained restraining orders.

Stating that it had obtained sections of Mr. Johnson's book from "a publishing industry source," Newsday said the memoirs "acknowledge that his administration was privately preparing in early 1964 for large-scale American involvement in Vietnam, long before the depth of the U.S. commitment was known to the public."

Big Police Force To Guard Queen After Death Note

YORK, England, June 27 (Reuters).—More than 400 police, many of them armed, will patrol this northern city for tomorrow's royal visit following an anonymous threat to kill Queen Elizabeth II.

Yesterday's death threat—the third in three days against the royal family—was made in a letter sent to a local newspaper and purporting to come from an anarchist group calling itself the Angry Brigade. This group has claimed responsibility for several recent bomb attacks in Britain.

The heaviest precautions are being taken along a two-mile drive which the queen and her husband, Prince Philip, will make in an open carriage escorted by 60 Royal Household cavalry troopers.

Buildings along the route are being double-checked and a special watch will also be kept in a city park where the royal couple will attend a garden party for 3,000 guests.

Fighting Starts As Springboks Defeat Aussies

PERTH, Australia, June 27 (UPI).—Fighting broke out in the stands yesterday when the touring South African rugby union Springboks played their first match against Western Australia at Perry Lakes Stadium.

Near the end of the game, anti-apartheid demonstrators clashed with factions in favor of the tour at the southern end of the stadium. Police moved in and made a total of eight arrests. Two of those arrested suffered minor injuries, a police spokesman said.

The trouble began when a splinter group of about 100 anti-apartheid supporters moved into the stadium against the directions of the Campaign for the Abolition of Racism in Sport Committee—which is coordinating protests against the South African tour.

After the game, which they won, 44-18, the South African team left the field through a protective rank of 25 policemen and went unmolested to their bus.

Early Vote Tally Shows Socialists Gaining in Japan

TOKYO, June 28 (Monday) (NYT).—The Socialists made unexpected gains, especially in rural areas, in partial turns from Sunday's House of Councillors election. Socialist gains and Liberal-Democrat losses in prefectures (provinces) with large rural populations reverse one of the trends of postwar Japan—that the Socialists are strong in the cities while the Liberal-Democrats control the rural areas.

Out of 76 seats at stake in the local constituencies, the Socialists are projected to win 28, and the Liberal-Democrats 41, with another independent expected to rejoin the party once the election is over. The Socialists have already taken 21 seats and the Liberal-Democrats 31 as of early Monday.

Besides the local constituencies, 50 members of the House of Councillors are to be elected from the national constituency—that is, at large, regardless of city or prefecture of origin. Those results will not be known until Tuesday.

The news agency Kyodo calculated that only 59 percent of the electorate went to the polls Sunday.

2 Men Tarred, Feathered; Third Shot in Belfast

BELFAST, June 27 (UPI).—Three Belfast men were hospitalized early today after security forces found two had been tarred and feathered and a third seriously wounded by a shotgun blast.

Police said one tarred man, aged 19, was discovered by troops in Glenview Street, just north of the predominantly Roman Catholic Crumlin Road area. The second victim was found a block away.

Hospital authorities said both men were in satisfactory condition. Their identities were not given.

Police also said another man was hospitalized in "serious" condition with gunshot wounds in the left arm and side. A spokesman said Thomas Weir was hitchhiking when an unidentified man stopped and shot him with a shotgun.

A Soviet Paper Decries Stories of 3 U.S. Newsmen

MOSCOW, June 27 (AP).—A Soviet newspaper yesterday attacked three American correspondents based in Moscow for writing "slanderous" articles about the Soviet Union.

The newspaper Trud (labor) named the newsmen as Jay Axelbank, of Newsweek, Harry Trimborn of the Los Angeles Times, and James Yuenger of the Chicago Tribune.

Trud accused the correspondents of writing "dirty scribblings" and said "all their efforts are aimed at sowing distrust and hostility toward the Soviet people."

The paper took issue with dispatches written by Mr. Axelbank and Mr. Trimborn after a trip to the Soviet republic of Armenia in April and with Mr. Trimborn's and Mr. Yuenger's reports from Siberia in May.

Yachtsman Heath Wins Channel Race

SOUTHSEA, England, June 27 (AP).—Prime Minister Edward Heath won a yacht race across the English Channel from France today and almost certainly achieved his biggest nonpolitical ambition—to sail for Britain in the prestigious Admiral's Cup.

The 54-year-old bachelor premier was declared overall winner of the race from Le Havre to Southsea in his 45-foot ocean racer Morning Cloud II, built at a cost of more than $50,000.

Italy Suspends Jail for 3 Nuns; Orphans Abused

BOLOGNA, Italy, June 27 (Reuters).—A court here handed down suspended prison sentences last night of four months each to three Roman Catholic nuns for inflicting excessive punishment on children at an orphanage.

The three nuns, Mother Maria Vittoria Gatto, 44, Sister Anna Maria Ezzeri, 43, and Sister Giuseppina Pisano, 47, were found guilty on charges of using "abusive means of correction."

During the trial the prosecution said the nuns, members of the Order of Immaculate Mary of Working Missionaries, frequently had beaten children for minor offenses and had shut up others in a dark cupboard.

The nuns, who denied the charges, were ordered to stand trial last year after a judicial inquiry revealed abuses at the orphanage on the outskirts of Bologna.

Spain Magazine Closed

MADRID, June 27 (Reuters).—The Spanish weekly magazine Triunfo has been closed down for four months, and fined 250,000 pesetas (about $3,500) after publishing articles favoring divorce and attacking Roman Catholic beliefs on the indissolubility of marriage.

Gallup Poll

Muskie Is Top Choice for '72 Of Democratic County Chiefs

By George Gallup

Director, American Institute of Public Opinion

PRINCETON, N. J., June 27. —Sen. Edmund Muskie, D., Maine, emerges with a strong lead as the top choice for the 1972 nomination of the nation's Democratic county chairmen. In the past, these grassroots party leaders have played an important role in the selection of convention delegates.

Sen. Muskie received 37 percent of the vote of the 1,424 county chairmen who participated in the poll, followed by Sen. Hubert H. Humphrey, D., Minn., with 15 percent and Sen. Edward Kennedy, D., Mass., with 11 percent.

Sen. Muskie does as well with the party professionals today as John Kennedy did at a comparable point before the 1960 Democratic convention. Sen. Muskie, however, falls short of the vote given Sen. Humphrey by the "pros" in the period just before the Democratic convention in 1968.

The candidate preferences of the "pros" show that Democrats in the liberal wing of the party are not held in as high favor as are those who are generally considered to be in the conservative wing.

This is consistent with previous Gallup surveys over the last two decades, which have found the nation's county chairmen of both major parties to be consistently more conservative than rank-and-file party members.

However, the influence of Democratic county chairmen may be lessened in next year's convention. New rules drawn up by "reform" commissions within the party provide greater representation among younger persons and minority groups likely to favor candidates with a strong liberal position.

Indicative of the great interest in the coming presidential election is the high proportion of local leaders who participated in the present survey. Within a period of 14 days, more than half of the nation's more than 2,700 listed county chairmen have cast their ballots. The results are based on 1,424 questionnaires received to date.

This question was asked:

"As of today, which one of these (13 leading presidential possibilities were listed) do you personally prefer as the Democratic candidate for President in 1972?"

Following are the votes obtained by each man:

	Actual Vote	Per Cent
Edmund Muskie	532	37%
Hubert Humphrey	209	15
Edward Kennedy	165	11
Henry Jackson	126	9
Wilbur Mills	109	8
George McGovern	80	6
Birch Bayh	72	5
Harold Hughes	48	3
John Lindsay	20	1
Others	63	5
	1,424	100

Whereas Sen. Kennedy is a poor third with the nation's party "pros," he is the top favorite of rank-and-file Democrats for the 1972 nomination, ahead of both Sen. Muskie and Sen. Humphrey.

Here are the latest choices of a national sample of adults who classify themselves as Democrats and who are registered to vote:

Kennedy	29%
Muskie	21
Humphrey	18
McGovern	5
Lindsay	4
Others	18
No opinion	5
	100%

Sen. Kennedy has said on numerous occasions that he does not intend to seek the nomination next year. In the current survey of the party "pros," six in ten believe that Sen. Kennedy will not run.

To get some indication of what might happen with Sen. Kennedy out of the race, all county chairmen in this survey were asked to give their second choice for the nomination. When the second choices of Kennedy backers are allocated to the other candidates, the following line-up emerges:

	As Obtained	Per Cent
Muskie	607	43%
Humphrey	241	17
Jackson	131	9
Mills	110	8
Bayh	86	6
McGovern	80	6
Hughes	59	4
Lindsay	25	2
All others	85	5
	1,424	100%

Associated Press.

STEPPING OUT—Ballet dancer Rudolf Nureyev at London's Heathrow airport Saturday, on his way to Geneva for his performance in "Les Sylphides."

U.S. Reported Letting Britain Sell Big Computers to Russia

WASHINGTON, June 27 (AP). —The United States has yielded to a sustained British bid for its approval of a huge computer deal with the Soviet Union, informed diplomats reported yesterday.

They said the British, for their part, have undertaken to obtain ironclad safeguards insuring the Russians do not assign the computers to the Soviet nuclear-weapons program.

The American-British arrangement, in its final stage after months of intensive political, military and technical discussion, could mark a breakthrough in Western technological cooperation with the Russians.

An announcement of the imminent agreement is expected in a matter of days after details have been submitted to a 15-nation group which has the job of barring trade in war-potential goods with Communist countries.

The Paris-based group, known as Cocom, consists of all the members of the North Atlantic Alliance, with Japan sitting in.

High Energy Physics

The Russians last year first approached International Computers Ltd, of Britain, with a request to buy two big and highly sophisticated 1906A computers. These were wanted for the Soviet Institute of High Energy Physics at Serpukhov, where Western scientists, including Americans and Swiss, are permitted to participate in research operations.

Britain, which has sold Russia 27 of its 33 Western computers, badly wanted to accept the order, valued at up to $24 million.

In preliminary talks with the Russians, the British say they were assured the computers would be used only for purposes of civilian research and could be checked by British inspectors from time to time, although the Russians never before had accepted the principle of on-site inspection in any safeguard system.

But American objections snagged the deal. These objections were voiced within Cocom, which must authorize any extraordinary exception to the allied embargo. U.S. military and defense experts were not convinced the Russians would resist the temptation to divert the computers to their nuclear arms program.

Quits New York City

Meredith Moves to the South, 'More Livable for the Blacks'

JACKSON, Miss., June 27 (AP). —James H. Meredith, the first Negro to enter the University of Mississippi, says he has moved his family from New York City to Jackson because "on a person-to-person, day-to-day basis, the South is a more livable place for blacks than any other place in the nation.

"The racial atmosphere in the Northern cities," Mr. Meredith said, "is becoming extremely tense. And it's going to increase. "The gap between white and black in the cities is so wide, except for the 1 percent of black population that has been integrated in this system. There is just no relationship between white and black."

Mr. Meredith said in an interview that there still was "racial animosity" in the South, but the atmosphere is "significantly better" than it was a decade ago.

Moved a Week Ago

He entered Ole Miss in 1962. The National Guard was federalized and federal troops were used to control the tense situation provoked by his enrollment.

Before moving to Mississippi about a week ago, Mr. Meredith said he made six trips here this year. On none of them, he said, did he have any "occasion of embarrassment, much less an occasion of humiliation, much less an attempt on it."

Mr. Meredith, an attorney, said he plans a campaign to get blacks interested in obtaining more economic power.

He made a major attempt yesterday at his "Economic Development Day" at the mammoth Jackson Coliseum, but the turnout was sparse.

Only a handful of persons went in during the day and night to look at displays on such things as cooperative buying and businesses, or to hear speeches on investing funds.

'Not Disappointed'

Mr. Meredith, however, said he was "not disappointed" and would hold the same type of show next year.

He said yesterday that it was something like his experience in 1960 when he came to Mississippi with the intent of enrolling at Ole Miss.

"Seventy-five percent of the blacks were against my idea of my going to the University of Mississippi. My first job was to condition and work on the minds of blacks," he said.

Mr. Meredith, 38, lived in New York City for six years. He was convicted last year and sentenced to two days in jail for harassing white tenants of an apartment building he owned who refused to agree to a rent increase. Mr. Meredith was found guilty of failing to provide hot water and other services for the six-story building.

Tenants claimed he tried to force them out unless they agreed to a 15 percent rent increase. Mr. Meredith claimed the tenants resented a Negro owning the building and said he lost almost $20,000 in the 17 months he was landlord.

Discussing his campaign for more economic power for blacks, Mr. Meredith said that while Negroes have made advances on the educational and social levels, "the economic setup is the same thing it was during the slavery time. Now, we've got to move to develop the economic area."

He said blacks need to invest their money in industry. He also said he favors "cooperative distribution," which he defined as "groups of people getting together and buying as a group and reducing the costs."

Menotti's New Production At Spoleto: 'Boris Godunov'

By William Weaver

SPOLETO, Italy, June 27 (IHT).—The 14th edition of tha Spoleto Festival of Two Worlds opened Thursday night with a new production of "Boris Godunov," in Italian translation. Mussorgsky's masterpiece may seem an odd choice for the festival's main event, but Gian Carlo Menotti, the festival's founder and president, has always let his own taste guide him in arranging Spoleto's programs, and the results have generally been happy. He loves "Boris," he wanted to stage it and ha has; very beautifully and successfully.

Menotti's staging is clearly tailored to his cast. Richard Cross, in the title role, is a younger-looking Boris than we are used to seeing. If he is at times less credible as a prince and an assassin, he is deeply moving in the final scene with his son; a tormented and tender father, a figure of truly tragic proportions. There are still patches in the interpretation that must be filled out, but the voice is a grand one, and the makings of a memorable Boris are already visible. In the easier, but pivotal role of Pimen, Paul Plishka made a profound impression; again a rich and noble voice. And—to complete the trio of deep voices—Alfredo Mariotti was a fine Varlaam, musical and human, comic without overclowning (Menotti's staging of the inn scene was particularly apt). As the false Dimitri, tenor Kenneth Riegel occasionally sang too loud. But in the role of Shuisky, which he also played, he showed real acting talent and vocal subtlety. David Ogg was excellent as taste. the fool. (He also doubled as Missail).

The opera was given with Mussorgsky's original scoring, and the sequence of scenes followed the first, 1869 version of the work (though some of the composer's later additions, notably in the scene with the children, were included). Thus there was no Polish act, and no Marina. The young Italian mezzo Bruna Baglioni was an attractive hostess. Muriel Greenspo, who had an immense success in Spoleto two years ago as Menotti's medium, was tha nurse—rich-voiced and dramatically apt. Gabriela Novielli was a sweet Xenia. Instead of the usual soprano for tha role of the Tsarevich, Menotti decided to use a boy soprano. The decision was sensible, in theory. But the boy who sang the part had a weak voice, poor Italian enunciation, and a graceless stage presence (he also overindulged in sobbing at the end). This was the only major flaw in the production.

The chorus—the Florida State University Singers—also had a distinct American accent, but this was quickly forgiven because of its fine sound. It is unusual and rewarding to hear a choir of young, fresh voices in opera. In the whole production, the accent was on youth. The Julliard Orchestra, imported again after its success last year, played splendidly. And the hero of the evening, the discovery of this year's festival so far, was the 24-year-old conductor Christopher Keene, who paced the opera with amazing dramatic sense and sure musical

U.S. Mail Is Becoming a Service—Nominally

Postal Reform Will Date From July 1 But, Of Course, Effect May Be Late

WASHINGTON, June 27 (NYT). —July 1 will mark the end of 196 years of postal business as usual —which the American public has come to believe is usually bad. The Post Office Department will officially become the United States Postal Service, an independent government agency with a businesslike structure.

The event will be marked with ceremonies and fanfare here and in local post offices across the country. But the real worth of the changeover will become apparent only when and if tha new postal service succeeds in providing efficient, dependable mail services geared to national needs. That may take several years.

Top postal officials cautioned in recent interviews that the public should not expect immediate visible results from tha new agency. But the officials and congressional leaders agreed that tha old postal system was about to collapse from inflexibility and that the new postal service is the best promise the government has to offer.

Some carefully selected changes in tha postal system have already been made since the 1970 Postal Reorganization Act was signed into law last Aug. 12.

The most public of these was the temporary rate increase in mid-May, under which first-class stamps rose from 6 to 8 cents and air mail from 10 to 11 cents. Rate increases were a tortuous process requiring congressional approval in the past. The May increases were made by the Post Office Department without congressional approval.

In addition, the postal management has begun appointing postmasters and rural letter carriers primarily from career lists in accordance with specified criteria, ending almost two centuries of political-patronage appointments.

'Fat' Is Trimmed

The extensive reorganization of the postal system is part of an attempt to make it more responsive to management policy and customer needs. It has resulted in the elimination of at least 2,000 middle-management jobs called "bureaucratic fat" by high postal officials.

More authority has been given to field supervisors. Big-city postmasters are now responsible for their own operating budgets. All postmasters are responsible for meeting the first "national service goal" of next-day delivery of 95 percent of all air mail between principal cities within a 600-mile radius, and second-day delivery throughout the continental United States.

New services have been implemented, including the courier type "express mail service," between 35 major cities and the "mailgram," which combines Western Union transmission with letter-carrier delivery.

Mailgram and express mail service are experimental projects offered to limited members of the business community. Mailgrams can be eent from any business teletype to any post office in the country. Express mail service offers a postal courier service direct between the selected cities, bypassing normal processing.

On July 1, the beginning of the government fiscal year, the 1970 reform act becomes completely activated and the United States Postal Service is on its own.

The following are among the changes that will take place:

- The postal service will operate from the revenues it can raise on its own, except for a 10 percent subsidy to help phase in higher rates during the next fiva to ten years. In the past, the Post Office Department had to compete with defense, space and other national priorities for a share of the national budget, into which the revenues went.
- The congressional subsidy is fixed at a maximum of 10 percent of the department's 1971 appropriations through 1979. Thereafter it declines until 1984, when it is to end. Postal officials have expressed the belief that the postal service will be self-sufficient by the late 1970s.
- It will be a federal offense to exercise political influence for or against any postal employee or prospective employee. The service also takes over entry exams and other personnel controls previously exercised by the Civil Service Commission.
- The postmaster general leaves the cabinet. The title remains the same, but he will now serve at the discretion of a presidentially appointed and congressionally approved board of directors.

In passing the Postal Reorganization Act of 1970, Congress decided to try a new approach to mail service, which a postal bureaucracy had failed for decades to keep from deteriorating. The Congress accepted an administration plan to see if modern management techniques, independent financing and a massive modernization and building program would do the job.

Postmaster General Winton M. Blount is generally credited with steering the reform legislation through Congress last year and with being the driving force behind the current hard-nosed business style of the new postal service.

730,000 Decision-Makers

But it is the 730,000 postal employees themselves who will hava the greatest impact in determining whether the new postal service succeeds.

All of the new machinery, the new managerial techniques and the modern new buildings are geared to increasing the productivity of postel workers, which annually shows little or no increase.

Without increased productivity, the postal work force will continue to grow as mail volume expands. And, since labor accounts for approximately 80 percent of the postal system's expenses, an expanding work force almost precludes any cost savings.

Already, the postal unions have accused postal management of bargaining in bad faith. And one union, primarily black, is convinced that the new postal service will threaten the economic security which the Post Office Department offers minorities.

Belgian Cabinet Votes Speed Limit

BRUSSELS, June 27 (Reuters). —The Belgian cabinet has given formal approval to a controversial plan to introduce a 90-kilometer-an-hour speed limit from the beginning of next month.

Only superhighways and four-lane highways will remain unrestricted.

S. Africa to Make French Mirages Under License

PRETORIA, South Africa, June 27 (Reuters).—French Mirage fighter aircraft are to be built here under license for the South African Air Force, a spokesman for the state-owned Armaments Development and Production Corp. (Armscor) announced today.

The chairman of Armscor, Hendrik Samnels, said that tha French aviation company Société des Avions Marcel Dassault has concluded an agreement for technical and industrial cooperation with Armscor.

He said that under the terms of the agreement the Atlas Aircraft Corp.—a subsidiary of Armscor—will build supersonic Mirage-III and F-1 aircraft.

Mr. Samuels would not say how many aircraft would be built here.

China's New Maoist Man

This dispatch is by the assistant managing editor of The New York Times, who covered China for the Associated Press from 1946 to 1949 and followed developments on the mainland from Hong Kong for The Times from 1963 to 1966.

By Seymour Topping

PEKING (NYT).—The doctrines of the Cultural Revolution have been translated into new Communist dogma. Under Mao Tse-tung that dogma has propelled China into a continuing revolution that is producing a new society and a new "Maoist man."

Relative stability, prosperity and surface tranquility have been restored with the end of the convulsive mass conflicts and great purge generated by the Cultural Revolution, which began in 1966 as a power struggle between Chairman Mao and Liu Shao-chi, then chief of state and since deposed amid charges that he had deviated from revolutionary principles.

Chairman Mao believes that he has interrupted an evolution that was turning China into a society on the Soviet model, characterized by a privileged bureaucracy and tendencies toward a rebirth of capitalism in industry and agriculture.

The gigantic Maoist thought-remolding program has profound implications not only for the 800 million Chinese but also for the world. It is producing a highly disciplined ideologically militant population that is taught that Chairman Mao is the sole heir of Marx and Lenin and the interpreter and defender of their doctrine and each Chinese must be committed to fostering a world Communist society.

Even so, underlying tensions persist in the party hierarchy and at the grass roots as the ideological struggle to resolve what Chairman Mao describes as "contradictions among ourselves" goes forward.

Class Struggle Continues

"We have won a great victory," the leader says, echoed by his designated successor, Vice-Chairman Lin Piao. "But the defeated class will still struggle. These people are still around and this class still exists. Therefore, we cannot speak of final victory, not even for decades."

In virtually every factory and on every agricultural commune toured by this reporter during a five-week visit, army propaganda teams originally sent three or four years ago were still struggling to root out what they regard as subversive thinking. All economic enterprises and schools were festooned with posters denouncing "the renegade traitor Liu Shao-chi," who took the capitalist path by encouraging money incentives.

"Material incentives corrode man's soul and make up a hotbed for creating individualism," said Tien Chi-ching, party leader in Anshan, the big iron and steel center in the northeastern region.

To sustain what the Maoists consider to be ideological purity and progress toward the eventual classless society, a tighter nationwide system of ideological surveillance, purge and re-education has been instituted.

Government administrators and managers of economic enterprises have been locked into a "revolutionary committee" system of supervision under which their work is monitored by delegates of the army, the reconstituted Communist party and militant workers or peasants. Deviation from Maoist principles can land them in peasant villages or special schools, where they stay for several months to several years doing manual labor while undergoing ideological re-education.

An entire generation of students, young persons attending secondary schools and universities when the Cultural Revolution began, have been ideologically screened, purged and re-educated. Hundreds of thousands have been sent to the villages to do manual labor under the surveillance of peasants and to be re-indoctrinated, many without any hope of resuming their formal education.

Hundreds of the so-called May Schools—the date appears on a letter from Mr. Mao to Mr. Lin, who pioneered them—have been established throughout the country and members of the bureaucracy, intellectuals and technicians are being run through in rotation.

At a school in Peking's eastern suburbs, there are such "students" as Ming Kuai-san, 38, a former deputy chief of the Education Division of the Cultural Bureau in Peking. He works as a laborer in a rice paddy while undergoing re-indoctrination. Mrs. Hsu Ying, 36, a teacher, labors as a masonry worker. Tien Chi-chen, former vice-chairman of now disbanded trade unions in the eastern district of the capital, makes water pails in a school-run factory.

The students can remain in school from six months to two years and their future is uncertain while they wait for ideological clearance. Braving the schools' rigors, many highly trusted people have voluntarily entered them as a mark of their ideological dedication.

The ideological atmosphere is intense. For a Westerner there is something frightening about the Peking regime's ability to summon as many as half a million people in a major city, red banners flying and drums beating, to shout tirelessly in unison and, given the slogan, welcome a friend or denounce an enemy.

There is no convincing evidence that Premier Chou En-lai's recent pragmatic gestures toward non-Communist states, including his table-tennis flirtation with the United States, represent any retreat from the underlying Maoist objective of world revolution.

Principles Taking Effect

There is also no evidence of an inclination at any level toward involvement in foreign military adventures. The prime emphasis in domestic propaganda is on consolidating the Cultural Revolution and building the economy. During a tour of cities and countryside, in discussions with party and government officials, with managers of factories and farms, with professional men and women and ordinary peasants and workers, the writer gained the impression that Maoist principles were taking effective hold.

Apart from the influence of unending propaganda and organizational disciplines, the peasants and workers who make up the great bulk of the population are apparently favorable to the system because they believe they have a stake in it. Many members of this class say that their material living standards have never been better.

Ordinary Chinese appear to carry themselves with a new dignity and to respond to the exhortation of the party, which tells them, "You are the masters of the new society." The memory of foreign privilege—such as the restrictions in clubs and the old park sign in the Shanghai foreign concession saying "No dogs or Chinese"—have receded before new pride in China's unity and its status in the world.

The improvement in the physical condition of the people since the Communist takeover in 1949 is staggering. Hordes of beggars and of the starving and diseased that once were familiar are gone. The people look healthy and are obviously adequately fed and clad, although there is uniform dullness in blue and gray tunics over inevitable baggy pants.

As the hot June days settled on Peking, a few bright long cotton skirts appeared and some of the girls fluffed their hair a bit instead of wearing it severely short or in tight braids.

The state assures each family a basic income sufficient to feed and house itself. Living standards are below those of Japan or Taiwan but seem uniformly adequate in the Asian context. The writer wandered unescorted down some back city streets and village lanes without seeing sanitary conditions as bad as in New York ghettos.

Although tremendous improvements have been wrought by the Communists, the favorable contrast with the past is also attributable simply to a period of peace and unity.

Before the Communist victory, China had been a victim of Japanese invasion and of civil war for 27 years. Brutal living conditions resulted from the constant turmoil as well as from the shortcomings of the government of Generalissimo Chiang Kai-shek.

Coastal Cities Are Drabber

The great coastal cities look more drab than before, largely because Western adornments and consumer goods have vanished and the bright lights have gone out. The cities are more typically Chinese, integrated closely with the economy of the interior rather than dependent on foreign luxury trade.

Chairman Mao, determined to reduce the gap in living standards between city and village, has had investment in new construction spread throughout the country. "In the interior, most of our factory equipment is new," Premier Chou, day-to-day manager of governmental affairs, said.

With the notable exception of Peking, which has been spruced up for the role of a great world capital, the cities have lagged in housing construction. Old foreign and Chinese buildings have been painstakingly preserved but many still look scruffy.

Pressure on the cities has been eased by Peking's policy of moving surplus workers and ideological unreliables, particularly students, en masse into the countryside. Nearly a million from Shanghai alone have been shipped to the villages.

In a flight over central China, the new construction a visitor observed is mainly factories and central agricultural commune buildings. Otherwise, the clusters of mud and brick houses with thatched and tile roofs that stand beside pampered fields—vivid green rice paddies in the South, then brown wheat beyond the Yellow River—look unchanged, though the landscape is gashed by great water-conservation projects.

The markets in towns and villages are full of food and there seems to be a plentiful supply of basic consumer goods, although high prices on more choice consumer items impose a form of indirect rationing.

In Anshan, a visitor was received by the head of a factory producing alarm clocks for export. He wore a brown tunic and dark trousers of slightly better texture than those of his workers.

Question of Clothing

An accompanying party official glanced at the factory chief, who had been through a rigorous course of criticism for ideological failings, and said that he had put on his best clothes to receive visitors. While the factory chief flushed and nodded, the party man said that he would put on his working clothes as soon as the visitors left.

In Peking, top government and party officials live at secret locations, presumably in the fine state residences that can be seen around the capital. However, they all entertain in public buildings. They arrive at receptions in chauffeured cars that usually are several years old. In public, there is no display of affluence and their dress is austere.

Chairman Mao has put the bureaucracy—cadre, as they are called—into a vise out of the conviction that the corruption of his society may begin with the emergence of new Mandarin classes. He is often suspicious of intellectuals and technicians, believing that only workers and peasants as a class can be fully trusted.

Foreign experts ask how long the members of the bureaucracy, who are required to perform periodic manual labor as part of the process of "integrating with the masses," can stand the situation.

Some of the experts say that many members of the bureaucracy are simply "bending like young bamboo" in the ideological wind, waiting for another change. With the most virulent phase of the Cultural Revolution over, a restoration of Mandarin attitudes is detected.

To allow Mr. Chou to get on with the business of pushing the country forward again economically and of coping with the imperatives of foreign policy, extreme leftist tendencies have been curbed.

Extremists Lose Influence

Two Politburo members in the extremist group, Chiang Ching, Mr. Mao's wife, and Kang Sheng, who had been concerned with security matters, seem to have lost some influence. A third, Chen Po-ta, formerly Chairman Mao's secretary, has not been seen publicly since August, 1970.

Although there has been some easing of pressures, Chairman Mao has not deviated from his fundamental line—egalitarianism and self-reliance, all in a spartan manner. Despite some rumbles deep in Chinese society, Mr. Mao and his supporters are firmly in command as the Chinese Communist party prepares to celebrate the 50th anniversary of its founding on July 1.

Chairman Mao is 78 and is believed to be in failing health. But his disciples have already enshrined "the great helmsman" and his ideology in much the same way that Lenin lives in the Soviet Pantheon. Mr. Mao's voluminous writings have become scripture not only for ideologues but also for peasants in their daily life.

However, the regime may have a problem of succession because virtually all the top leaders are in their 60s and 70s.

Mr. Lin, Mr. Mao's close comrade in arms, who was designated his successor in the 1969 party constitution, is 63. Bouts of tuberculosis have left him in poor health. Mr. Chou, a tireless dynamo, is 72.

The rising star is Huang Young-sheng, 64, army chief of staff and Politburo member. A tough disciplinarian who has been close to Mr. Lin, he was brought to Peking from Canton during the Cultural Revolution after he had crushed opposition to the Maoists and rampaging extremist Red Guards.

Presumably, he would have the support of the army should Mr. Lin die. Army men already occupy powerful posts in every phase and on every stratum of economic and political life.

There is no reason to believe that Mr. Huang would deflect China from the course set by "the great helmsman."

A Grateful Peking Worker Remembers 'Bad Old Days'

PEKING (NYT).—Chou Chieh-hua, 39, is a muscular 5-foot-8, a pleasant looking man who was dressed in blue cap, tunic and trousers; he is foreman of a crew of ten men who install and repair machines. By going to night school, he has completed six years of secondary education, which helped him qualify for his job.

Mr. Chou earns 71 yuan ($28.40) a month, and works a six-day, 48-hour week. He and his family live well, and save money, because three others also work.

With two of his four children holding jobs and two in school, his wife recently became an apprentice in the factory, earning 18 yuan a month.

A 19-year-old operates a lathe at the apprentice scale of 21 yuan and the 17-year-old is earning 17 yuan as an apprentice in a food processing plant.

Living Quarters

The family lives half a mile from the factory in a sparsely furnished apartment that has two small bedrooms with tiny outside balconies, a kitchen and lavatory. For this they pay 7 yuan a month. Electricity for lighting and gas for cooking, central heating and hot water costs 1 yuan a month.

Their food costs about 10 yuan a person. At the end of the month the family has 59 yuan to buy consumer goods or to deposit in the People's Bank at 4 percent interest. Prices are high—a simple cotton tunic costs 6 yuan and a wristwatch about 110—and so they do not buy much.

The Chous eat pork or beef at least once a day. They usually have one meal a day in the clean, well-tended factory canteen. Mr. Chou has ulcers and is able to get the eggs and milk he requires.

The Chou family's life is built pretty much around the factory. In the factory auditorium they attend showings of films, mostly propaganda pieces comparing the "bad old days" under Chiang Kai-shek and landlords, with their present life. An amateur troupe puts on stage shows, mostly Peking opera. At least half an hour and up to one hour a day is spent studying the works of Chairman Mao under the guidance of army propaganda teams.

Special Drives

Periodically, Mr. Chou is caught up in some special production drive. When the Peking machine-tool plant produced its first 2,500-kilowatt compressor, his crew worked 24 days and nights to install it in their factory.

Mr. Chou remembers the old days and says he is well off now. More than anything else, he is grateful to Chairman Mao for the opportunity to become a skilled worker.

His children also are reminded constantly how fortunate they are to be living now rather than in the capitalist days. With other Peking children, they go to the eastern wing of the Forbidden City to hear lectures and look at life-size clay figures depicting cruelty of landlords and Nationalist soldiers.

Landlords are shown cheating peasants of their grain, beating them and dragging their daughters off to serfdom.

After the lecture, the children shout in unison: "Long live Chairman Mao."

3 Months Later, Fear Still Reigns in Dacca

By Sydney H. Schanberg

DACCA (NYT).—People talk with foreigners in a whisper and keep looking behind them to see if anyone is listening. Soldiers and special police—brought from West Pakistan, more than 1,000 miles away—stop and search cars and buses and persons carrying bundles.

Arrests are made and denied. When families ask the martial-law authorities what has happened to a son or father, the army replies that he was released after questioning and that if he has not returned home, then maybe he has fled to India.

Many persons listen to the clandestine Bangla Desh (Bengal Nation) radio every day, although the penalties are severe.

This is the nervous and unhappy flavor of Dacca, capital of East Pakistan, three months after the army launched its offensive to try to crush the Bengali autonomy movement throughout the province.

The army is clearly in control of this city, but "normality"—the word the government uses to describe conditions here—does not exist.

Dacca today can best be described as a city under the occupation of a military force that rules by strength, intimidation and terror, but which has been unable to revive an effective civil administration.

Only about half of Dacca's 1.5 million inhabitants are here. Most of the others have fled to the interior or to India and many thousands—no one knows the exact number—have been killed by the army.

Although people are trickling back to the city, a great many shops are still closed. Most of those that open close before dark out of fear of looting and harassment by the military and those civilians working with the military.

Traffic is thin. At times of day that were once rush hours, cars move with relative ease through the narrow streets of the old city. In the past, they would have been delayed for as long as an hour.

This week, for the first time since the army assault began on March 25, the government has permitted foreign newsmen to enter East Pakistan and travel around unescorted.

Much of the rubble from the attack, carried out with tanks and rockets and other heavy weapons, has been cleaned up by the authorities. Enough remains, however, to suggest the havoc that prevailed in the city.

The foreign community here has come to refer wryly to the razed areas as "Punjabi urban renewal"—a reference to the preponderance of Punjabis, or West Pakistanis, in the army.

The bulk of the destruction is in the old city, the home of most of Dacca's poor. They were staunch supporters of the Awami League party, which won a majority in the election last December for a National Assembly on a platform of more self-rule for East Pakistan. The party is now banned.

Block upon block once crowded with flimsy huts with tin roofs are now long, empty, dusty fields. Only a heap of debris here and there indicates that anything once stood there.

Some brick and cement buildings that were too badly damaged to repair are being torn down by the government to remove all evidence of the holocaust.

The authorities are in fact doing a considerable amount of face-lifting. Bulldozers push the wreckage off these charred plains. Bullet and shell gouges in nearby houses are being patched and painted over.

There has been patching and painting also at the university and at the Bengali police barracks—two of the army's special targets. But one quarter-mile stretch of older, one-story police barracks still looks as it did on the morning after the attack—burned and smashed to the ground by heavy fire. An estimated 700 Bengali policemen were killed in that army attack.

In the old city, the authorities are erecting new brick shops on some of the razed areas and leasing them to businessmen. One area of wholesale shops that was burned out is being rebuilt by the original owners.

The atmosphere here, as it is everywhere else, is of fear. Some shopkeepers, to keep the army from harassing them, have displayed signs in their window that read "Crush India." Everybody flies the Pakistani flag.

Few people will talk openly on the streets, but as the visitor's car passes alongside, they whisper things through the open car window. "All was burned," one old man said out of the side of his mouth.

Many Hindu shopkeepers, most of whom sold sweets, have either fled or been killed. Their shops have been given to non-Bengali Moslems and others who are siding with the army.

The Hindu minority, in particular, has been harassed by the army. The West Pakistani Moslem establishment has long considered the Hindus untrustworthy people whose real allegiance has been with predominantly Hindu India. Of the 6 million East Pakistanis who have fled to India to escape the army, 4 million or more are Hindus.

The authorities are demolishing Hindu temples, regardless of whether there are any Hindus to use them.

The houses of persons who have fled—whether Hindus or members of the Moslem majority—are being given to "loyal" citizens. In some cases, persons who are still here have been forced out of their homes.

Auto license plates have been changed from Bengali script to English, as part of the campaign to suppress Bengali culture.

Not too many soldiers are visible on the streets, but their substitutes are—policemen from West Pakistan, dressed in charcoal-colored shirts and berets. They spend much of their time searching vehicles, presumably for homemade bombs and other weapons.

Bengali guerrillas have been throwing bombs and carrying out other terrorist activities in Dacca, but the insurgency is still sporadic and not well organized.

Reports continue to circulate through the city of the army picking up Bengalis for interrogation, and sometimes killing them.

Many of the reports, though widely believed in the foreign community, are hard to confirm firsthand.

One senior civil servant and his entire family were taken recently to the army cantonment for questioning. All were later released except for his son. His father has been unable to find out what has happened to his son.

"Now you will see everything," a young Bengali whispered to a foreign newsman in a downtown shop. "What they have done, you cannot know. Women, everything. I am a Hindu and I have changed my name to a Christian one and have put my family in a Christian house. We are grateful you have come. We are praying you can help us."

Bitter Czech Laughter

PRAGUE (IHT).—Czech humor seems to thrive on adversity and a steady stream of jokes has emerged from Prague over the past 20 years. Here are some of the recent jokes making the rounds here:

- A bloodcurdling scream is heard throughout the Kremlin. Guards and a doctor rush to Brezhnev's apartments and find him trembling and white as a sheet.

"I had a terrible dream," he says.

"I don't mean to be indiscreet," says the doctor, "but after all, I am your doctor, so tell me about it."

"Well, Red Square was full of Czechs," says Brezhnev.

"That's pretty bad," says the doctor, "but, after all, it was only a dream."

"But that's not all," says Brezhnev, "they were all eating matzos."

"I admit that's worse," says the doctor.

"And even then it wasn't finished," says Brezhnev, "they were eating matzos with chopsticks."

- One day a Soviet dignitary arrives at Prague Central Station. He calls a porter, then another and still another. Convinced that the man must have an enormous amount of luggage, all the porters in the station come rushing out to the platform.

When he sees that they are all assembled, the visiting Russian, in a loud voice, begins: "Dear comrade porters of the Czechoslovak People's Republic, I bring you warm greetings from the comrade porters of the Soviet Union."

- War breaks out between Russia and China. The first week the Russians take 4,000 prisoners. The second week they take one million, the third week seven million and the fourth week 15 million. At the beginning of the second month of war, Mao calls Brezhnev and says, "Well, Leonid, are you ready to capitulate?"

Intimates' Forecasts Differ

Wallace Weighs '72 As Money Flows In

By R. W. Apple Jr.

MONTGOMERY, Ala (NYT).—The money is pouring into Box 1972, Montgomery, addressed to "The Wallace Campaign."

Thousands of dollars more have been raised at "appreciation dinners" in Dallas, in Nashville, Tenn., and Saturday night in Toledo, Ohio. Others have been planned for Jacksonville, Fla.; Charlotte, N. C., and New York City.

Nevertheless, Alabama politicians are asking one another, will there be a Wallace presidential campaign next year?

Robert Vance, the state Democratic chairman, is sure that the governor will run because he considers Mr. Wallace a compulsive office-seeker.

"He doesn't care about the prize," said Mr. Vance in an interview, "He cares about the chase. Running is George's thing. If he doesn't run, he ceases to be a national figure. No Time, no Newsweek, no CBS. He can't stand that."

Ray Jenkins, editorial page editor of the Alabama Journal here, who has observed Mr. Wallace closely over the last decade, says he has never had "the slightest doubt" that the governor would run.

But two of Mr. Wallace's closest friends in the Legislature said that their "intuitive judgment," as one of them put it, told them there would be no Wallace third-party effort in 1972.

Traveling the country once as a presidential candidate "is a strong tonic," one of the legislators said, "but the second time isn't much."

Folsom's Example

Another long-time Wallace associate commented that the governor "doesn't want to end up like Jim Folsom." Mr. Folsom (the uncle of Mr. Wallace's wife, Cornelia) was once a potent and popular force in Alabama politics, but a series of missteps turned him into the butt of statehouse jokes.

Having been elected last year by only the thinnest of margins, Gov. Wallace's political base is less secure than it once was. An embarrassingly weak showing in 1972 might make it impossible for him to win another term as governor, for which he is eligible under a new amendment to the State Constitution.

The governor himself tells visitors that he has made no final decision but that he thinks he will decide later this year to run.

"I'm not hearing a reason not to," he said in an interview. "It looks as if I'd be very effective. Our support is better than ever now."

He brandished a telephone poll by the Akron (Ohio) Beacon Journal that showed him running ahead of President Nixon by two to one in a two-man race. That showed, he said, that he still had the backing "of the guy in the textile mill."

"They'll tell you that the South has changed," the governor continued. "But these new governors everybody talks about—Jimmy Carter in Georgia and Dale Bumpers in Arkansas—they all called my name in their campaigns and it helped them."

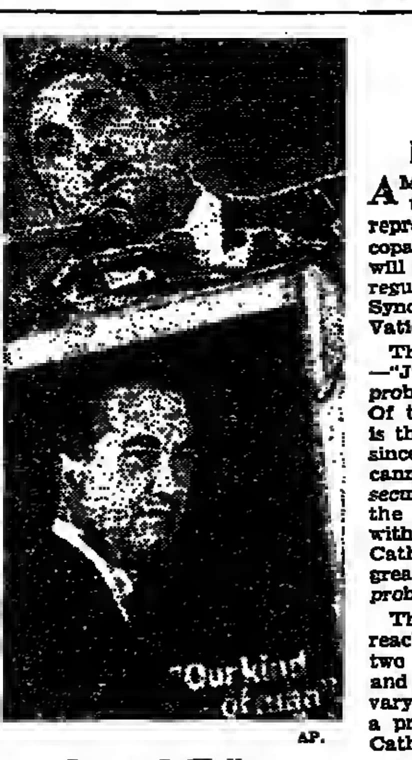
Since taking office last year, Mr. Wallace has pressed his attacks on insurance companies, banks, trucking companies and others whom he can identify in the populist tradition as "big mules" treading on the little man.

But he has lost control of the Legislature, which may make it harder for him to use state resources in out-of-state campaigning. In addition, state legislators and others who organized his 1968 campaigns in major states have told him they won't do so again.

Echo of 1968

Would a Wallace campaign have a real issue? Although some politicians here doubt it, others can already hear the governor comparing President Nixon's performance to President Johnson's in such areas as unemployment, busing to achieve racial balance, high taxes and crime, and then concluding, in an echo of the 1968 race:

"You throw all those national Democrats and national Republicans into a sack and shake 'em up real good, and then they come tumbling out and there isn't a dime's worth of difference."



AP.

George C. Wallace

Who the Democrats nominate will clearly make a difference. If they choose an all-out liberal, Mr. Nixon will probably move leftward to occupy the center, leaving Mr. Wallace with room on the right. If they nominate a more moderate candidate on the other hand, Mr. Nixon will probably shift to the right, presenting the governor with some problems.

Attacks Foundations

TOLEDO, Ohio, June 27 (UPI).—Alabama Gov. George C. Wallace said last night that he plans to ask the Supreme Court in a suit next month to end tax exemptions for foundations because they contribute to "subversive organizations."

Mr. Wallace, speaking at a fund-raising dinner on his first trip North since he was re-elected, said:

"I'm going to file a lawsuit as governor of Alabama on behalf of the citizens of my state citing that the tax exemption foundations, such as Ford, Mellon and the Carnegies, have contributed to subversive organizations.

"I'm going say that it's unconstitutional under due process of law and the equal protection clause of the Constitution, and makes the average citizen of Alabama pay twice as much taxes as he ought to pay as a result of their exemption."

Priests' Celibacy: Thorny Issue for the Bishops

Dutch Look to Synod to Ease Clerical Crisis

By James M. Johnson

AMSTERDAM (IHT).—In October, Roman Catholic bishops representing the national episcopal conferences of the world will meet in Rome for the second regular session of the Episcopal Synod since the end of the Second Vatican Council in 1965.

They will consider two issues —"Justice in the World" and the problems of the priesthood today. Of the two, the priesthood issue is the most crucial for the synod, since the Roman Catholic Church cannot of itself and in one action secure justice to the world. But the synod can deal effectively with the current crisis within the Catholic priesthood, since, to a great extent, it is an internal problem.

The crisis in the priesthood has reached alarming proportions in two countries—the United States and the Netherlands. But, in varying degrees of gravity, it is a problem in all countries where Catholicism is found.

For their part, Dutch Catholics are hoping that the synod will open a way to a solution of the crisis. But they fear that either the synod will be dominated by conservatives or that it will lack the courage to overcome the opposition of Pope Paul VI and the Roman Curia to any significant change in the church's present position.

'Inadequate'

Harry van Santvoort of Amersfoort, a leading Catholic social development official, said recently that the draft document on the priesthood prepared for the synod by its Roman secretariat is "inadequate. Not only is it conservative, but it also effectively closes the door to any change in the future. If the synod adopts the draft as it is, I'm afraid that the present situation, which is bad enough, will become a disaster."

Mr. van Santvoort's opinion is endorsed by most Dutch Catholic liberals and moderates and, even, by the bishops and their advisers. The Dutch Pastoral Council, held after the Vatican Council to implement its reforms, urged relaxation of the church law of mandatory celibacy for priests and other changes that it felt would help to resolve the crisis in the clergy.

Unity Issue

The Dutch bishops, who participated in the Pastoral Council's work, have prudently indicated their agreement with the council's conclusions. But, anxious to preserve unity with Rome, the Dutch hierarchy has refused to openly sanction the "go-it-alone" approach advocated by many liberals.

"There must be a chang in the church's position," a close adviser to a leading Dutch bishop said. "We are simply losing too many priests—and, often enough, the best priests. We have tried to keep priests who have married active in pastoral work. But many others are taking jobs that are unrelated, at least directly, to the pastorate. The longer the church defers a change, the less likely it is that these men will return to the priesthood."

Dr. O. ter Reegan of the Pastoral Institute at Rotterdam said that in the last year the number of priests leaving the ministry had slackened somewhat.

"But I have the impression that this drop is only temporary," he said. "I think many priests are waiting to see what the Episcopal Synod will do in October. But the synod must reject the document that has been prepared for it. It is not a document of Vatican II but of Trent. If the bishops accept it, the loss of priests will only increase. And it will be a big increase."

Celibacy Problem

Dr. ter Reegan hopes that the synod will force the Curia to accept a married priesthood. With the celibacy issue behind it, the church could then address itself more effectively to the general problem of the ministry in the modern world.

It is often argued that the Catholic laity would not accept a married priest as pastor. But this seems to be a needless preoccupation insofar as the Netherlands is concerned.

"I think most laymen here would now accept a married priesthood," the Rev. H. Kuipers, vicar-general of the diocese of Haarlem, said. "And I think that the number who would do so is growing every day. At first it would be necessary to select parishes for married priests with great care. But, very soon, I think nearly all parishes would accept a married priest."

The Dutch bishops are under strong pressure from liberals and statistics—the numbers of priests leaving the ministry and the continuing decline in the number of candidates for the priesthood—to seek a Dutch solution to the clerical crisis if Rome continues to resist change and the synod fails "to withstand Peter to his face."

Last September, the student parish at the university in Amsterdam announced that it would function with married priests.

The Most Rev. Theo Zwartkruis, bishop of Haarlem—the parish includes Amsterdam—regretfully announced that "the priests concerned no longer exercise their ministry under my responsibility." The student parish is now using a wooden church supplied by a Protestant pastor and, technically, is no longer under the jurisdiction of the bishop.

But the break certainly is not complete. The diocese has regular, although unpublicized, contact with the student parish and there is considerable sympathy within the hierarchy for the priests' and students' position.

More recently, the student parish at the university in Leiden invited a married priest to celebrate mass. The Most Rev. Adriaan Simonis, a conservative whose appointment as bishop of Rotterdam provoked a major uproar in the Netherlands, deplored the act but, through his inaction, demonstrated his powerlessness to do anything about it.

"In all of these cases," a Dutch Catholic official said, "the nuncio has been urging us to act. But we tell him, diplomatically, that we don't burn heretics and rebels in Holland. That's Rome's approach, not ours."

But the hierarchy's anxiety to preserve unity with Rome and the Dutch conservatives often forces the bishops into such equivocal positions that the exasperated liberals, in their frustration, speak occasionally of hypocrisy.

"I was interviewing a bishop recently," Gerard van den Boomen, editor of De Nieuwe Linie, a leftist weekly newspaper, and a liberal Catholic, said, "and he was denouncing the married priests for saying mass. He said they were antagonizing the conservatives.

"I finished the interview and, then, I said to him: 'Now you, Bishop, are antagonizing me. I know that in your diocese you are privately—not publicly—encouraging Catholics to receive communion in Protestant churches from married ministers. I agree with you: it is good ecumenism. But what is the difference if I accept communion from a married Catholic priest? You must explain to me the difference.'

"He could only say to me that it was a matter of discipline and jurisdiction. In the end, he admitted that he was unhappy with the situation, that he was sympathetic to the married priests and that he hoped the church rule would be changed. I should not have attacked him, for he is a good man and the most liberal bishop in Holland. But, still, I am annoyed."

The liberals are not much concerned with Rome or what the ope thinks. "The Pope may have some personal problem with celibacy," one liberal said, "but why should his problem be our problem?"

The Dutch bishops are nearly as frustrated as the liberals and it is quite clear why they are looking to the synod with hope and fear. "It is not easy these days to be a bishop," a Dutch Catholic observed, "especially in Holland."

Economy Falters

Burma's Tough Road

By Lee Lescaze

RANGOON (WP).—An exemplary worker in Burma is rewarded with a two-week vacation away from his family at a seaside or mountain resort and the title "model worker."

He can win the title three times, then he becomes a "Hero of Socialist Labor" with no further vacations or rewards.

These are the only incentives in Burma's state-controlled economy, an economy that has been declining ever since Gen. Ne Win took power in a military coup nine years ago and set the nation on his "Burmese way to Socialism."

Government officials explain that Burma is trying to raise the standard of living for all its people simultaneously without building an elite, privileged urban class.

Shabby Facades

Pointing to the shabby facades of Rangoon buildings, one official said that they would remain unpainted until Burma develops a sufficient supply of Burmese paints. Other observers do not share his optimism that sufficient supplies of paints, or of many materials, will be locally produced before Burma's economy reaches a crisis point.

Foreign exchange reserves are down to $50 million, the lowest point since independence in 1948. According to well-informed sources, the remaining reserves may be exhausted by the end of this year. Service of Burma's foreign debt alone takes about $30 million annually.

A major blow to the economy has been the falling price of rice in the world market. With recently developed new rice strains, many nations that were traditionallyl Burma's customers have surpluses of their own.

The problem with Burma's other export commodities, however, is inefficient prodnction. While the value of world trade has been increasing abont 7 percent a year, Burma's trade has declined 63 percent since 1963 to about $100 million last year. With 85 percent of the world's teak reserves, Burma can sell as much as it can produce. But lack of roads, river transport, sawmills and other facilities has kept teak exports down. In addition, the state monopolies operate under government requirements that they turn their foreign exchange earnings over to the Treasury and receive budget allocations in local currency.

Unrealistic Rate

The Burmese kyat is maintained at the unrealistic pre-war rate of 4.75 to the dollar. Thus, the state timber board earns roughly $30 million annually but has operated at a loss for five years because it must turn in its dollars at the inflated exchange rate.

Fortunately for Burma, foreign trade is not of enormous importance and the sharp declines in foreign reserves have not brought sudden economic pressures to bear on the population. Foreign trade amounts to about 13 percent of Burma's gross domestic output.

Most Burmese, according to reliable sources, complain that their real income is lower than ever but they are not going hungry.

Almost 85 percent of Burma's 30 million people live in rural areas where they are self-sufficient in food and housing. Unlike most of its neighbors, Burma does not have overcrowded cities and the political pressure that results from hungry and ill-housed urban masses. About 1.7 million persons live in Rangoon, by far the largest city.

However, the problem of educated but unemployed persons is beginning to cause serious concern. An estimated 50 percent of college graduates cannot find jobs since private enterprise is almost non-existent and the military government trusts only army officers with control of the state monopolies.

Make-Work Jobs

The government has attempted to meet this problem by hiring graduates in what amount to make-work civil service jobs at the minimum government salary of $26 a month.

In addition, students have been carefully watched ever since the military raided Rangoon University in 1962. In spite of the army's efforts, however, there have been three small-scale student riots since December, 1969.

A consequence of the lack of jobs and military control has been a serious brain drain. More than 220,000 persons have emigrated from Burma since Gen. Ne Win took power and there has been a new flow out of the country since January, when the government relaxed requirements for exit permits.

Gen. Ne Win has generally succeeded in eliminating private wealth, but the military has become Burma's new elite. Students complain that sons of officers are given preferential treatment in classes.

In addition, sources say that as the caliber of schools is declining it is becoming more and more essential for students to have outside tutoring to do well on the college entrance exam. Military families find it easier to afford such tutoring. Not surprisingly, the army has become a sought-after career while the civil service is not attracting many of Burma's best young persons.

The lack of consumer goods here is striking. Rangoon and other towns have small selections of clothing, cosmetics and kitchen ware. In the countryside, there is almost nothing for sale. What can be found is sold in black-market shops after being smuggled into the country or sold illegally out of state-run people's stores.

Theoretically, the people's stores were to handle all retail sales and customers could buy a rationed quantity of goods—for example, two sarongs a year. In fact, the people's stores almost never have goods to sell and Burmese have to turn to the black market.

Target of Wrath

The people's stores have been so badly mismanaged, according to observers here, that they are almost an authorized target of public wrath. The government is beginning to phase out people's stores and replace them with a chain of cooperatives.

Initial reports on the cooperatives, however, have not been encouraging.

Burma's government forced most of the nation's trained managers out of their jobs as political unreliables during its gradual nationalization of the economy. But it has only recently begun to train new managers within the armed forces. The result, according to observers here, has been widespread inefficiency which, coupled with the lack of incentives for workers, has been chiefly responsible for the economic decline.

A promising development for the future has been in the results of surveys seeking oil deposits off the Burmese coast. The government hopes to begin exploratory drilling by the end of this year. To develop offshore oil fields, however, requires enormous capital investment and the Burmese government will have to reconcile its opposition to foreign investment with its need to begin producing oil.

Most observers here do not believe the economy is on the point of collapse. Because of its overwhelmingly rural population and the generally adequate supplies of food, Burma appears to have time to seek formulas that will lead to economic growth.

Most observers believe that the government will institute reforms to head off further decline. If nothing is done, however, Burma's present road leads not to equal improvement of living standards throughout the nation, but to severe hardship for all Burmese.

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post

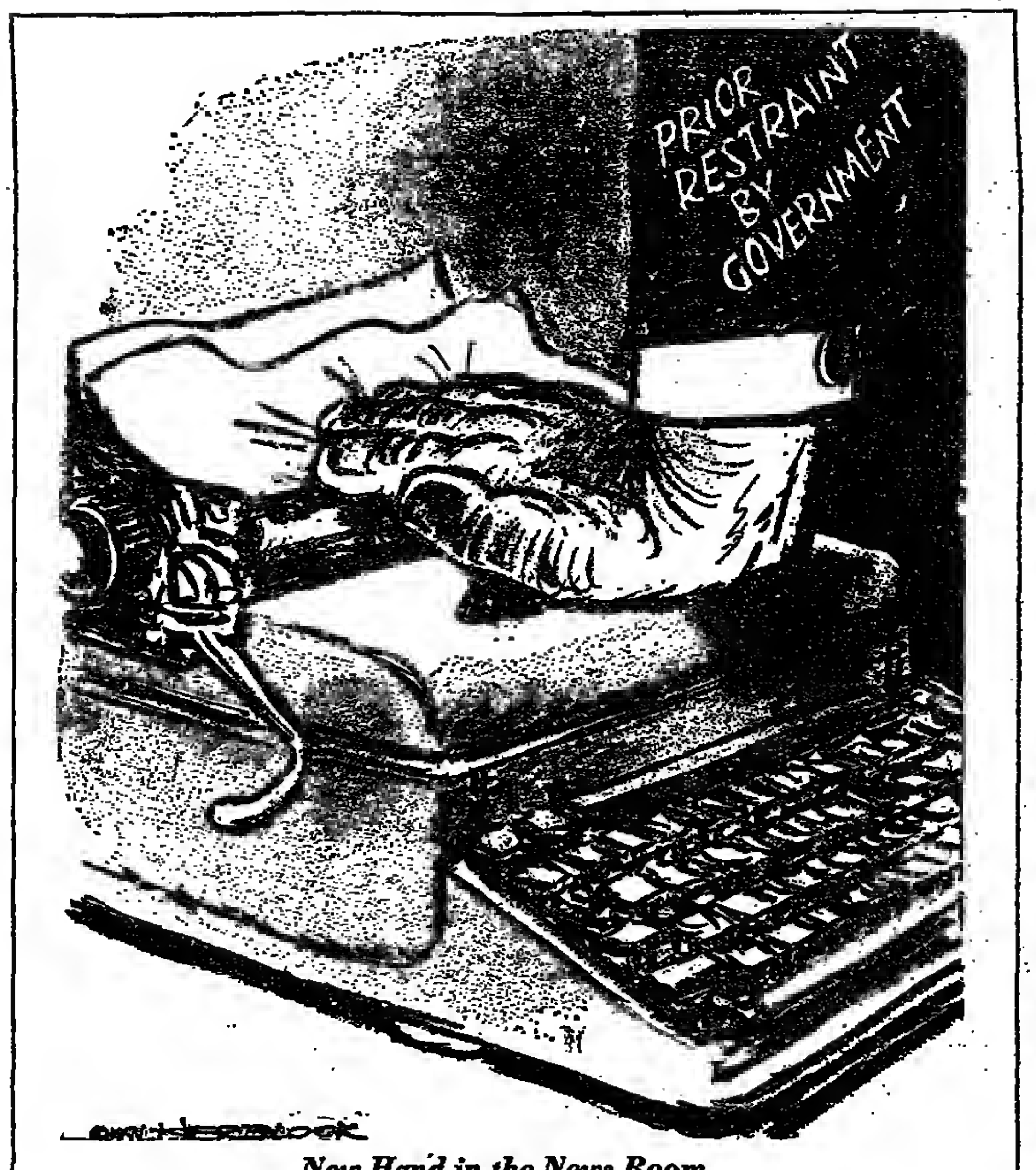
Anti-Climax in Moscow

The publication of an apparently unending stream of papers from the Pentagon in newspapers all over the United States has stimulated a debate of profound significance for the national future. Much of it, as in all such debates, consists of stating conflicting principles in a loud and imperative voice. But the subtleties of the situation, particularly as developed in the arguments before the Supreme Court, contain many perplexities of law and policy, as well as far-reaching constitutional implications.

The facts that the United States is fighting battles without a legally declared war; that both sides in the confrontation between government and press rely on constitutional privilege, rather than statute; that publication is a step removed from actual acquisition of documents stamped "top secret," from original sources: that injunction against publication constitutes a form of prior restraint—all of these form legal complexities of no small degree of intricacy. So does the whole system of the classification of government materials.

In addition, there is the high public temper over the course of the Vietnamese fighting, its origins and its outcome. If the issue before the courts grew out of, say, the landing of marines in Lebanon, the principles might be identical, but the pressure for further information, and, perhaps, for scapegoats, would be virtually nil. Vietnam is a hard case, and, as one of the counsel said to the Supreme Court in a different and more restricted context, the kind of hard case which might lead to bad separation-of-powers law. In other words, it is conceivable that a clear-cut opinion on the cases now before the Supreme Court could lead either to tying the government's hands in matters where the national security might be more urgently and seriously involved, or blindfolding the press should another Vietnam blunder loom on the horizon.

But for the American—justice, counsellor, publisher, government official or private citizen—who wrestles with this problem, there is a bit of humorous relief in reading Yuri Zhukov, in Pravda. For Mr. Zhukov, Near V. Minnesota, John Milton and Peter Zenger are all irrelevant: he sees in the publications initiated by The New York Times simply a clash "between the powerful clans of big business." Meanwhile, the Soviet Union (where, of course, there are no power struggles) has been carefully eliminating every reference to North Vietnam's involvement in South Vietnam out of the excerpts it is gleefully publishing from the Pentagon papers! Observing this anti-climax, the American can turn, refreshed, to the hard and painful business of trying to manage a modern society, with all its strains and dangers. There is little, in America, of that complacency Mr. Zhukov ascribes to the United States. Rather, there is real anguish and uncertainty. But America is at least trying to come to grips with realities. It does not sweep whole armies under the rug.



New Hand in the News Room.

Boost for Quebec Separatism

The Quebec provincial government's rejection of a new draft Canadian constitution is good news only for Quebec separatists. It was a decision taken by a Liberal government committed to seeking Quebec's goals inside the Canadian federation; but the real victor was the opposition Parti Quebecois, which aims at outright separation from Canada.

Had the decision been his alone to make, Quebec's premier, Robert Bourassa, might have accepted the draft, as Canada's nine other provinces seemed ready to do. Mr. Bourassa knew that Prime Minister Trudeau had gone about as far as he could to meet Quebec's aspirations.

While prepared to assign the provinces primary responsibility over certain social welfare programs, Mr. Trudeau would neither eliminate federal activity entirely in those areas nor surrender federal taxing authority as Quebec demanded. Nor could Mr. Trudeau get agreement from the English-speaking provinces for the kind of entrenched equal-language rights he seeks for French-speaking Canadians all across the country.

The draft nonetheless gave Quebec much of what it had sought in increased provincial legislative power. Quebec's veto nullifies three years of effort and marks the fifth time in forty years that a provincial rejection had blocked constitutional reform. Mr. Bourassa says the veto will not preclude his participation in future attempts to give Canada a modern constitution; but he knows it probably will be years before the federal government and the other provinces will be willing to start again.

The danger meanwhile is that many Quebeckers who helped give Mr. Bourassa and the Liberals their overwhelming victory last year will draw from this rejection the conclusion urged by the leader of the Parti Quebecois "that Quebec could not find a place in Canadian federation."

THE NEW YORK TIMES.

Truck Deal With Moscow

The news that Mack Trucks, Inc., has signed a preliminary agreement with the Soviet government to help design and equip the world's largest truck factory suggests that history is about to repeat itself.

Back in the 1920s and 1930s, many plants, mines, power plants and other installations erected in the early stages of Soviet industrialization were similarly designed by Americans and equipped with machinery built in the United States.

A year ago there was talk of the Ford Motor Company participating in the building of the projected factory on the Kama River. Ford decided to turn down the opportunity after Defense Secretary Laird voiced apprehension about helping the Russians build trucks that could be sent to Vietnam to help move supplies down the Ho Chi Minh Trail. Against that background, it seems reasonable to suppose that Mack found the White House attitude to be more favorable now to such economic cooperation with Moscow. The planned truck factory is not scheduled to begin turning out vehicles until 1975, by which time certainly President Nixon must believe this country will be disentangled from the Southeast Asia conflict.

The economic case for increased commercial trade with the Soviet Union is particularly strong in view of continuing high unemployment and balance-of-payments difficulties in the United States. Politically, the atmosphere has been improved by the recent agreement on the next stage of SALT and progress toward beginning negotiations on mutual and balanced withdrawal of forces from the center of Europe. Moreover, the administration, having recently eased trade bars with China, would doubtless wish to appear evenhanded by similarly increasing the possibilities of Soviet-American trade.

Welcome as the Mack agreement is, caution is advisable in estimating the magnitude of Soviet-American commerce in the years immediately ahead. If experience is any guide, the Soviet Union will want to increase its exports to this country if it is to buy more here, and it is hard to see where large, quick jumps could occur in American purchases from the Soviet Union.

THE NEW YORK TIMES.

International Opinion

Malta's New Policies

The instant rejection by Mr. Dom Mintoff, Malta's new left-wing prime minister, of the island's indirect links with NATO, and his abrasive attitude toward even the treaty ties with Britain will come as no surprise. Nor does it make sense... to interpret these actions as motivated solely to screw more cash out of the British taxpayer. Ideology also plays a part, for Mr. Mintoff's brand of neutralism leans closer to the socialist than to the Western camp. But perhaps this fiery leader, having settled a few old personal scores, will now take another calm look at Malta's position on the map. The only way to make his island neutral in the growing East-West Mediterranean confrontation of today would be to move it right out of the way up to the Arctic Circle. Failing that, Mr. Mintoff must take sides, or be squeezed between the giants, as so many cocksure little neutralists before him.

—From the Sunday Telegraph (London).

In the International Edition

Seventy-Five Years Ago

June 28, 1896

PARIS—Are the Democrats after all determined to wobble into oblivion? It looks that way. It looks a good deal as though the Democratic leaders once more, as in 1861, were bent on saying goodbye to patriotism, pride and their country's credit and fair fame, and as a necessary result a long goodbye to power and influence for good. If the Democratic leaders of the country can unite on a sound platform they can win in November, if not the voters will desert them.

Fifty Years Ago

June 28, 1921

HELSINGFORS—The fight between Lenin and Trotzky in the Third Congress of the Third (Communist) International, which is being held in the Grand Theatre in Moscow, has resulted in a triumph for Lenin. Trotzky and his followers bitterly attacked the Red Chief, declaring that his compromise with foreign capitalists should cease at once. Lenin refuted the arguments of his adversaries and insisted that the Executive Committee of the Soviet Party be independent of the Third International.

The U.S.'s Next Man in Peking

By C. L. Sulzberger

PARIS—A United States businessman with long experience in the China trade was asked by Peking representatives in London: "What has twenty years of American policy gained for your country except two wars? China is still there and the two American enemies in World War II—Japan and Germany—are doing most of the Chinese business.

"There is nobody in the U.S. government who knows a thing about China. And now when the climate is changing in your country and responsible politicians of both countries know that China is here to stay—who do you have to make constructive policy? Nobody!"

These remarks are reported in the current issue of "East Europe. Lawrence W. Levine, a teaching fellow in the Harvard defense studies program, writes: "Through my family's trading interests I have known some of the traditional China traders since I was a small boy and over the last several years I have been in contact continuously with present-day traders."

A Good Point

The point made by Levine's interlocutor is well taken. The United States, during a self-destructive period of passionately held irrational beliefs, similar to the argument now prevailing on all sides of the Vietnam debate, deliberately dismantled its excellent apparatus of China experts in the nineteen-fifties.

This purge was initiated by McCarthyite fanatics who wished to demonstrate that the U.S.A. had "lost" China to the Communists after World War II because of "traitors" in the State Department—although the U.S. had never "had" China to "lose."

Nevertheless, not even feebly protected by the American government, an excellent group of trained Chinese-language scholars who had served their country faithfully was sacrificed to the delusional streak that sometimes tarnishes our history at critical moments.

Barbara W. Tuchman, in her best-selling "Stilwell and the American Experience in China, 1911-45," refers both to the competence and unjust fate of these civil servants. She writes:

"The attacks and savagery that were soon to rage over America's China policy wrecked careers, blasted reputations and by the eventual dismissal of [John Paton] Davies, [John S.] Service and others cowed the future exercise of independent judgment in the Foreign Service."

As a result, today, as we edge toward better relations with Peking and the distinct possibility of an eventual agreement to exchange ambassadors, the United States is woefully short on trained, experienced staff for an American Embassy in Peking.

That is not to say such officers do not exist. There were some survivors from the McCarthyite purge and a tiny new generation of sinologues has been nurtured in the State Department and the Hong Kong Consulate-General.

Certainly some of these men would be valuable in any U.S. Embassy to Peking within the next few years but none of them are sufficiently well known to head such a mission. Nevertheless, it is immensely desirable that the first envoy Washington sends China should be an experienced professional diplomat with training on the specific problems he could expect to face.

Such a man exists. He is that same John Paton Davies mentioned by Mrs. Tuchman—a highly intelligent, vastly experienced diplomat, born at Kiating, China, the son of American missionaries, who speaks mandarin, who served effectively as General Stilwell's political officer, and who also served in the U.S. Moscow Embassy.

Davies was subsequently retired to the frenzy of McCarthyism. Since his dismissal, his record has been demonstrated to be simon-pure and his wise, skeptical judgments have come to be widely admired.

He is now 63 years old but he is healthy and vigorous. Should events lead to an exchange of envoys with Peking within the next few years, Davies would be an eminently desirable man to reopen the U.S. Embassy. Moreover, were President Nixon to appoint him, the government "would" finally right an old injustice.

Many fundamental Sino-American issues remain to be settled. Nevertheless, Nixon has been moving with deliberate speed. In 1969 he became the first American President to designate the "People's Republic of China" by its legal name.

He subsequently called for better relations, permitted foreign subsidiaries of U.S. corporations to start Chinese trade, removed travel restrictions for American citizens and drew up a list of products U.S. firms can now export. Despite the Taiwan (Formosa) and UN questions, relations are warming up.

It would therefore be well for Washington to proceed with the creation of a "shadow embassy" to Peking, requesting it to start working on future policy and present problems. Davies would be a suitable choice to head it.

A Troubled Friend

By James Reston

WASHINGTON—A troubled friend wants to know why the newspapers don't leave the questions of secret documents and national security to the President. Let us suppose that we did.

Presidential power is now greater than at any other time in the history of the Republic. Ever since the invention of atomic weapons and intercontinental ballistic missiles, it is clear that the nation could be mortally wounded before the Congress could ever be assembled on Capitol Hill.

Accordingly, the balance of decisive power in the foreign field—but not over internal policy—has passed from the Congress, where it lay before the two world wars, to the White House. This may or may not have been what we wanted but it was clearly what we had to do.

Other inventions tipped the balance of political power toward the President, especially nationwide television. It is at his disposal whenever he likes, with a studio in the White House. He has instant communications with the people and the world, all of which is necessary. The Congress cannot compete with him in the use of these modern instruments in the conduct of public policy.

But these unavoidable facts raise serious questions. Should such power not be subject to review by the representatives of the people? Should the Congress not know what is going on? Should the executive be free to use the power it needs to deal with the threat of nuclear war in undeclared wars like Vietnam? Should the press shut its eyes to any documents, even old historical documents, the executive chooses to term top secret?

The fuss over the Pentagon Papers is only a symbol of a much larger problem. It is true that these papers raise questions of "national security," but the greatest threat to national security in this time is the division of the people over a war they have had to fight in accordance with decisions of governments that didn't tell them the truth. The nation is seething with distrust, not only of the government but of the press, and the issue of the Pentagon Papers is merely whether we should get at the facts and try to correct our mistakes, or suppress the whole painful story.

Fundamentally, this is not a fight between the government and the press. It is not even a fight over the President's decisive power to defend the nation in an age of nuclear missiles. Congress has submitted to the scientific facts on the ultimate questions of nuclear war.

But now it has been asked, in the name of "security," not even to look at a historical analysis of a war it has financed but not declared, not to question the unelected members of the White House staff, who had access to the papers. Congress could not see, and to respect the administration's right to stamp "secret" on any documents it likes, and to keep them secret years after the event, when officials long out of office are writing their own versions of history out of the "secret documents."

My "troubled friend" has good cause for anxiety. He is right to wonder whether the press knows enough and is responsible enough to publish things the Attorney General wants suppressed. He is right to concern himself with the security of the nation.

But what is being exposed here is not primarily some government documents that might cause "irreparable damage" to the defense of the nation, but a system of secrecy, of Presidential presumption, of influential staff advice by men who cannot be questioned, of concealment and manipulation, all no doubt with the best motives, but nevertheless a system which has got out of hand and could really cause "irreparable damage" to the Republic.

No doubt the press itself is often poorly informed and clumsy in its efforts to expose the dangers of this system, but the greater the power in the hands of the executive, the greater the need for information and skepticism on the part of the Congress and the press.

Greater Danger

My anxious friend might be careful about weakening the instruments of information and review at such a time. No doubt they are blunt instruments, often misused, but in this case of the Pentagon Papers, or so it seems here, the greater danger is the system of executive secrecy, and the greater danger to the security of the nation is the mistrust this system of secrecy and contrived television propaganda has caused.

James Madison summed up the problem at the beginning of the Republic:

"Among those principles deemed sacred in America, among those sacred rights considered as forming the bulwark of their liberty, which the government contemplates with awful reverence and would approach only with the most cautious circumspection, there is no one of which the importance is more deeply impressed on the public mind than the liberty of the press..

"That this liberty is often carried to excess; that it has sometimes degenerated into licentiousness, is seen and lamented, but the remedy has not yet been discovered.

"Perhaps it is an evil inseparable from the good with which it is allied; perhaps it is a shoot which cannot be stripped from the stock without wounding vitally the plant from which it is torn. However desirable those measures might be which might correct without enslaving the press, they have never yet been devised in America."

The Flaw of Prejudice In the Pentagon Study

By Kenneth Crawford

WASHINGTON.—What is remarkable about the Pentagon study of Vietnamese war decision-making—at least the parts so far published by The New York Times and The Washington Post—is not that so many of the facts dealt with were previously unknown but that so many were known. Commentators who professed profound shock at the alleged duplicity of officials dealing with war policy on the basis of the new "revelations" were being either naive or hypocritical.

Interpretations of the documented facts first by the Pentagon team of 30 to 40 anonymous (a few of them now identified) authors of the study are something else. They are flawed by the admitted prejudices of those who made the study and conform too conveniently with the present editorial position of the publications disseminating the report. Also, they omit White House and State Department records necessary to a complete understanding of considerations bearing on the decision makers.

Leslie H. Gelb, coordinator of the report when he was at the Pentagon, frankly admits that his team regarded Vietnam as a Greek tragedy—unwinnable, uncompromisable and a blunder from the beginning. The Times and The Post have now come to about that conclusion, too, even though they both supported the war effort in its early stages.

Hindsight Helps

The danger here is that the clarity of hindsight is too clear. The conclusion of total error is too simple. Perhaps Congress, when it gets around to study of the record, will bother to wonder what fate Southeast Asia would have suffered by this time but for American intervention in Vietnam. But probab. it won't. No politician likes to swim upstream against powerful media and apparently fixed public opinion.

That the report is patently unjust to officials concerned over the years with Vietnam is perhaps incidental and unimportant. Cooks who work in the kitchen have to take the heat even after they have left the stove.

But the conclusion generally drawn from the report that President Lyndon B. Johnson knew during the campaign of 1964 that he would escalate on the ground and in the air once he had won the election is not only unjust but inaccurate. There may have been consensus for escalation among his advisers in 1964, as the report says, but implementation was impossible until the President agreed.

Whether The Times and The Post were justified in printing excerpts from the report and the supporting documents without first making an effort to get them declassified, as they doubtless should have been, is questionable. Whether the government should have undertaken to exert prior restraint on further publication after the first installments appeared is also a question.

A journalist comes down almost instinctively on the side of the people's right to know and the First Amendment in any hassle between government and press over leaks of classified information. Yet the circumstances here are troublesome.

Any journalist who has practiced his trade in Washington for a long time has first-hand knowledge of scores of leaks, some of his own contriving. Leakage is a sort of safety valve in the Rube Goldberg-like arr. ngement of relations between press and government. In practic., it permits the government to keep a few secrets and the public to have most of them.

But what The Times and The Post brought off was not normal leakage. They challenged directly and spectacularly the government's claim to the privilege of secrecy in areas of military and diplomatic decision-making in violation of the live-and-let-live understanding of the past. They set themselves up as the judges, superseding duly delegated authority, of what should and should not be secret. They left the government little choice but to resist in some fashion.

It is difficult to be consistent where civil disobedience—deliberate violation of law—is concerned. To many, like me, the Rev. Dr. Martin Luther King Jr.'s campaign of civil disobedience was justified by his race's oppression. But some of the same people who condoned his acts conceded no such sanction to the May Day demonstrators who trashed Washington to dramatize their opposition to the war.

Others deplored the methods employed by the police to put down the May Day disturbances. Yet the civil disobedience had some higher authority to appeal to for excuse of law violation.

The May Day demonstrators said they were exercising their constitutional right of petition. The police said the necessity of restoring order to the nation's capital justified their legal shortcuts. The Times and The Post invoked the higher authority of the people's right to know and the First Amendment.

Morality Play

The editors of The Times and The Post have put on a morality play of sorts. They have played Robin Hood, with a touch of Hildy Johnson thrown into the characterization, to the government's Sheriff of Nottingham.

James Reston is probably right in announcing that the public is on their side, though one may wonder how he can be so sure of that. The press should remember that among the public's devils, it rates high, probably just behind public officials and hardened criminals. It cannot count upon automatic sympathy.

As for the report The Times and The Post had given their readers, parts of which are now available in other newspapers, coast to coast, it is impossible not to wonder what a hostile commission with access to the classified documents could have made of President Roosevelt's maneuvers just before and during World War II. It would have been sensational.

The primary difference between official conduct in that war and in the war in Vietnam is that that war was won. Also Hitler was a better symbol of evil than the late Ho Chi Minh. So we wallowed in triumph after that war and we wallow in masochism now.

Letters

'The Right to Know'

Before the public becomes completely bewildered by The Times's smokescreen defense of the "public's right to know" and the "freedom of the press" in the matter of the McNamara papers, it would be well to recall The Times's past devotion to these principles and other moral standards, as well as its ability to identify the truth when it sees it. First, The Times is openly and shamelessly defying the law, which it so stoutly defends when applied, say, to integration of schools in the South, by using material it knows was stolen from government files. If you or I were to buy a diamond ring from a thief we knew had snatched it from Tiffany's window, we would be as good candidates for a year in jail as the snatcher.

Second, the material The Times is using is classified, which the law says may be declassified or released only by the agency that classified it in the first place. The unauthorized use of such material is punishable by suitable fines, imprisonment or worse, as the electrocuted Rosenbergs learned to their sorrow. Third, The Times's ability to judge what is good or bad for the United States was demonstrated by its successful campaign in 1958 and 1959 to sell Fidel Castro as the best thing to happen to Cuba and the Western Hemisphere since Teddy Roosevelt charged up San Juan Hill.

J.M. BRADLEY,
Bonn.

The deposition of the American press versus the U.S. government's speculative suppression of information and subsequent witch hunt makes one proud to be an American. Power and success to the free press and those who believe in truth.

ERIC HARRIS,
Lugano, Switzerland.

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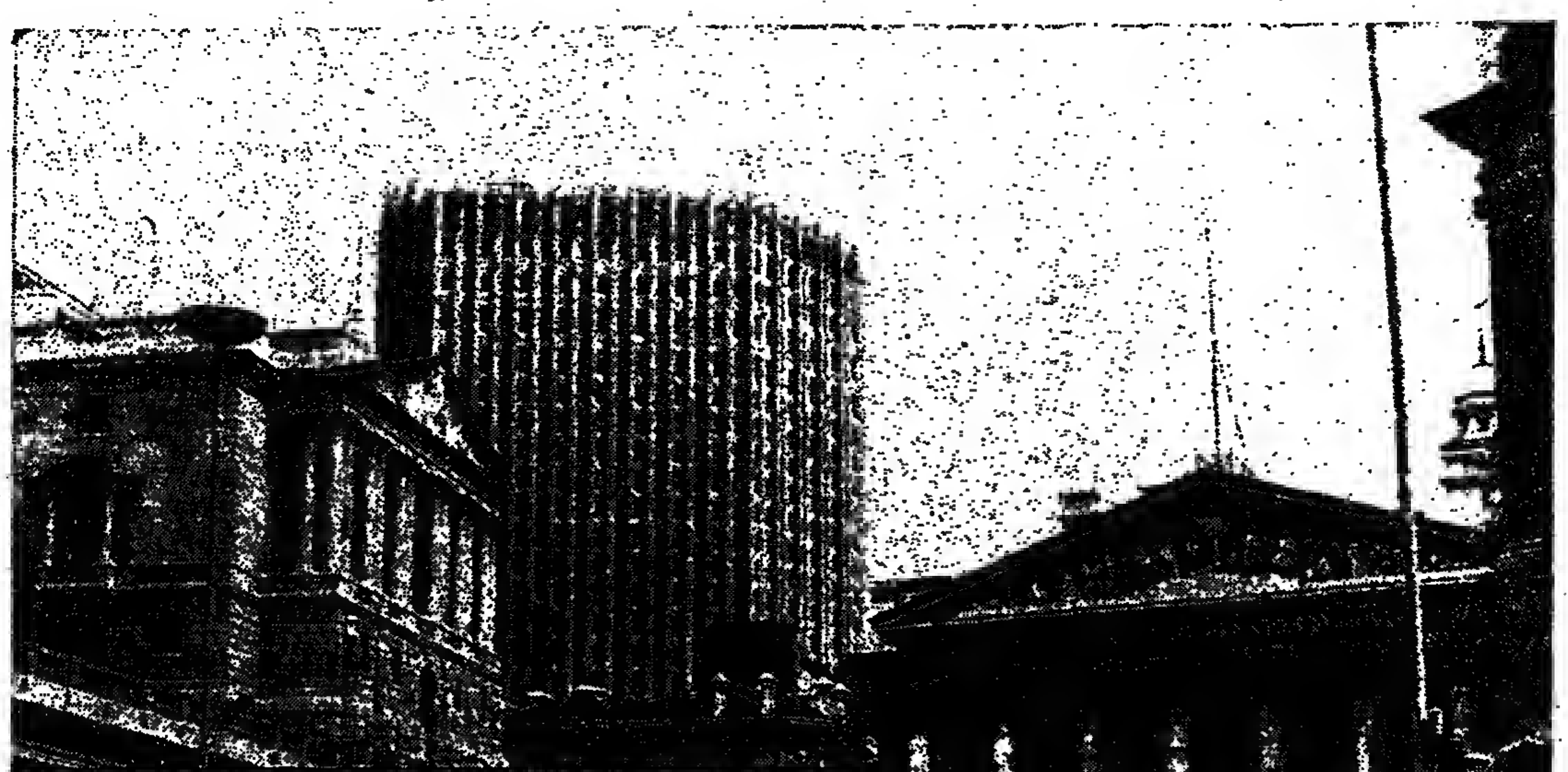
Page 9 PARIS, MONDAY, JUNE 28, 1971 *

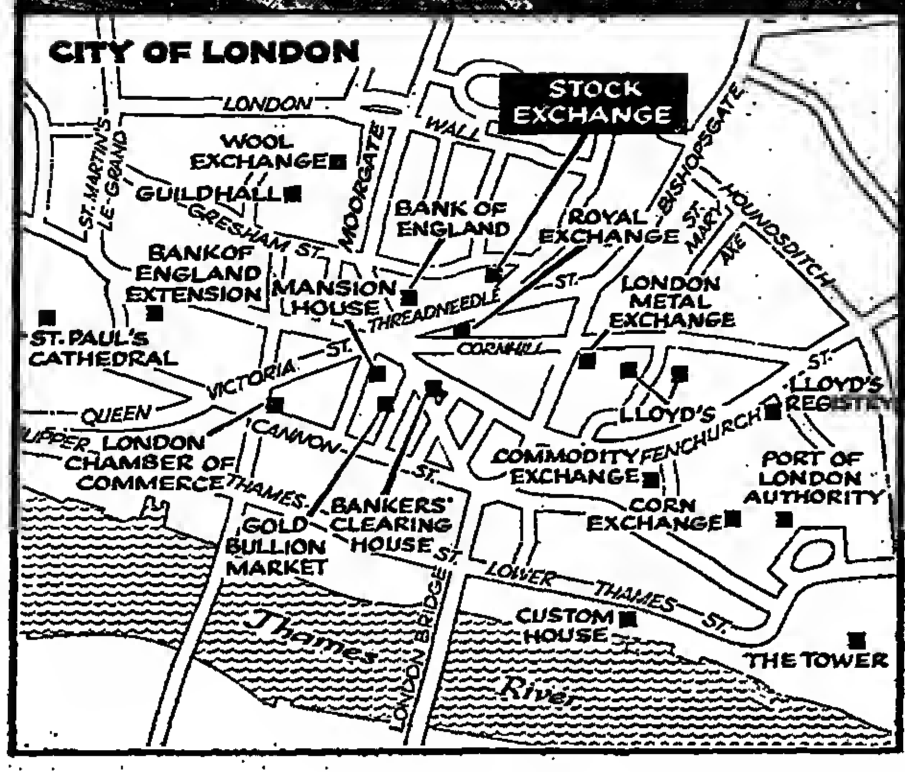
The *Financial* City of London

Special Report

The City,

an area of 677 acres lying between St. Paul's Cathedral and the Tower of London. Its population is less than 5,000 but more than 300,000 people work in the square-mile of banks, security and commodity exchanges, guildhalls, shipping and insurance concerns. The photograph shows an intersection known popularly as 'Bank.' At left is the Bank of England, with the new Stock Exchange building in the background and the Royal Exchange, which houses offices and exhibition halls, at right.





Banks

By Stewart Fleming

Against all the odds, the City of London is now the financial center where large sums of international finance can most easily and quickly be rounded up.

ONDON.—The City of London, with its dingy alleys and okey Victorian offices, is now the nter of the Eurodollar money arket, a market which in no ore than ten years of phenomnal growth has become a major urce for international firms eking to finance both their day-day trade and their worldwide restments.

The market, because of the abnce of controls, has also develed what some would describe a more sinister function. It now one of the principal chanls through which speculative nds move. The recent financial isis surrounding the dollar and e German mark was precipitat- by the movement of dollars om the United States into the rodollar pool and from there to marks.

The size of the pool and its te of growth since the late 1950s e both disputed. There are no liable statistics. Estimates have en made, by the Bank for International Settlements among hers, and these now suggest at some $50 billion is circulating Eurodollars compared with ly $1 billion ten years ago. But uble counting and the recycling funds make an accurate assment impossible.

It is known, however, that ainst all the odds, the City of ndon is now the financial cent where large sums of internanal finance can most easily d quickly be rounded up.

Varying Terms

The market provides funds for y period from one day to 15 or years. In fact, it is more accure to speak of several Eurollar markets, for the terms on ich loans are made vary enorously depending on the length the agreement. Bankers, and t only British bankers, estimate at in the short-term Eurollar market as much as 60 perat of the business is done rough London. This accounts r the multitude of foreign banks ich have set up branches in e City, over 160 at the last unt of which 39 are from the ited States. It also accounts, in rt, for the startling rise in ofe rents close to the Bank of gland in Threadneedle Street. square foot there can cost more an in New York. Ironically ace in the new multistory Stock change overlooking the Bank proving too expensive for the itish brokers for whom it is pposed to have been built.

In the longer-term Eurobond arket London is less dominant. 1970, Deutsche Bank headed e list of houses managing Eubond issues. But London still ays a leading role, with White eld and Co. and merchant bankers S.G. Warburg both in the top four last year.

A Eurodollar, quite simply, is a U.S. dollar deposited outside the United States. It may have been transferred from a U.S. bank to the London branch in search of a higher rate of return, or it might be in the hands of an individual or company anywhere in the world.

It would be natural to expect the market, since it is primarily a dollar market, to be situated in the United States. But in 1963, U.S. exchange-control regulations virtually closed the U.S. market to foreigners, and in 1968 U.S. firms were forced to finance their overseas investment with overseas funds.

It is more difficult to explain why London, and not Frankfurt, Geneva or Paris, has become the center of the market.

City Advantages

To an extent it is a historical accident. It was British banks in the mid-1950s which first began dealing in dollar deposits outside the United States on any scale. Some would say too that London's expertise and willingness to innovate have played a part. It is an argument more likely to be heard from the British side, and sometimes one tinged with characteristic British complacency. But London's bankers did have detailed knowledge of the world's currency havens (some of which were former British colonies), there is a skilled labor force and a wide range of financial services in the City, and such advantages should not be underestimated.

But behind such practical features lies the one factor to which bankers consistently return when they seek to explain the growth of London's role in the Eurodollar market: the part played by the Bank of England. The Bank has undoubtedly geared itself to nurture the development of the international money market in London, partly because of the valuable foreign exchange earnings. Invisible earnings from financial services have long been the bedrock of the British balance of payments.

The remarkable feature of the Bank's success in stimulating London's development is that it has taken place after a period in which Britain's role in international trade and finance appeared to be in an irreversible decline. By 1955, for example, many U.S. banks had closed down their branches in London, and there were only six left. And in the years since, both the British economy and the pound sterling had been under such pressure

(Continued on Page 10, Col. 3)

U.S. Banks

By John M. Lee

Moorgate has been dubbed Avenue of the Americas, there are so many American banks.

LONDON (NYT).—The number of American banks with their own branch in London has more than doubled in the last three years—from 15 at the end of 1967 to 37 today. There were eight new arrivals in 1968, nine in 1969 and another five last year.

Just out the back door of the Bank of England, so many American banks have opened their offices on Moorgate, from the Republican National Bank of Dallas and the Marine Midland Bank-New York at one end to the Continental Illinois National Bank at the other, that the thoroughfare has been dubbed the Avenue of the Americas.

Over the last few years, the American branches have attracted wide public attention for their bush-beating mobilization of Eurodollars (American dollars on deposit outside the United States) to send home for relending to ease the United States credit squeeze.

A Sigh

To some, it seemed this roundup was all the Americans were doing, and resentment was widespread when their feverish competition for Eurodollar deposits sent rates up to 13 percent in 1969.

But such activity tended to obscure the more lasting reason for the American banking invasion of London. This is simply the desire to share in Eurodollar lending to American corporations abroad and foreign corporations, governments and institutions all over the world.

Accordingly, there was almost a sigh of relief among some American managers when the totals of Eurodollars redeposited with their head offices plunged from $15.4 billion in October, 1969, to $9.4 billion in October, 1970, and less than $3 billion at the end of last month.

The decline was brought on by cheaper money in the United States and its greater availability.

High-cost Eurodollars were no longer necessary to the American banks at home. The reflow into the international system sent Eurodollar rates down and set up the situation for a flow into Germany, with its higher rate structure, and the recent currency crisis. But the reflow also provided more funds for lending around the world.

At the Morgan Guaranty Trust Company, the first American bank to arrive in London (in 1892), Daniel P. Davison, vice-president and general manager, said:

"Shoveling money home may have helped the home office, but it didn't necessarily help our profits here. With the rundown, we have much more scope to develop our Eurodollar commercial loan portfolio, which is our basic business.

"We are busier than ever."

American bankers obviously find it more profitable to take the Eurodollars they have solicited from other banks and corporations and relend them in, say, the Congo, at a 1 3/4 percent markup than to redeposit them with their United States head office at a spread of only 1/16.

This is not to say that it is altogether smooth sailing for the many Americans here. Overhead is high and the competition among the nearly 200 foreign banks in London, quite apart from the British overseas and merchant banks, is intense.

With bankers paying $25 a square foot for bare walls in the City, the financial district of London, compared with $15 to $20 on Wall Street, the minimum cost of even a modest London office, albeit one including the prestigious paneling and comfortable dining room so dear to City hearts, ranges upward of $500,000.

Although London staff comes cheaper than New York staff, an office of 20 or so persons averaging $3,000 ($7,200 a year) can tack on another $150,000 in costs. The smaller branches lending a million dollars here and a million there might require a loan portfolio nearing $100 million to cover such costs.

"Has anyone packed to go home?" an American asked a knowledgeable British banker the other day.

Happy Faces

"They all say they're happy," the man replied, "but I must say I'm curious how some of them make their money."

A check of the branches, however, finds mostly happy faces.

At the City National Bank of Detroit, the baby of the American banking community here, with relatively small total deposits of $544 million, Duncan G. Shearer, the Scottish-born vice-president and manager, said:

"We were in the black six weeks after we opened. We participate in syndicates for Eurodollar loans, and we recently arranged a $15 million credit of

(Continued on Page 10, Col. 4)

Sterling

Another step in Britain's retreat from empire

By John Palmer

LONDON.—As part of the agreement between Britain and the Common Market countries, the problem of sterling remains on the agenda. The problem can be put quite simply: what to do about the £24 million held by governments of former British colonial territories and Commonwealth countries?

Britain could not possibly pay off these debts if the sterling area countries wanted cash on the nail. The debts arise out of the tradition whereby countries in the former British Empire banked in London, the center of their trading operations. But the size of these liabilities grew during World War II when Britain borrowed heavily from countries like Australia, Hong Kong and Malaysia.

For a long time there has been talk about a "final solution" to the sterling problem. The Common Market countries are worried that if these debts were ever called in, they might have to bail Britain out of trouble. But no one can see an obvious solution. Provided they are offered some reasonable alternative security, the sterling holders are not unduly worried in what currency their assets are denominated.

But while the struggle to find a solution continues, the Western central bankers have agreed to guarantee the bulk of the sterling holdings against any future devaluation of the pound. This is only a short-term interim solution. The debate about a final settlement seems bound to continue and to grow in intensity.

In Britain itself the subject arouses little controversy and no emotion. This is remarkable. Not many years ago defense of sterling's "world role" was seen as part and parcel of the defense of British world-power status. In a sense this is true.

The funding of the overseas sterling balances will mark another step in Britain's retreat from empire and from an imperial world role. It is because of changed attitudes to this role that British public opinion now views the end of the sterling area with more relief than apprehension.

The truth is that the sterling-area system lost its appeal when the old empire disintegrated after World War II. Before then membership of the sterling area brought more privileges than responsibilities for Britain and more responsibilities than privileges for the overseas members.

The sterling balances held by

(Continued on Page 10, Col. 4)

Invisible Earnings

LONDON.—The City's invisible earnings are figured in millions of pounds sterling. For the years 1956, '65 and '67, the conversion rate is $2.80 to £1; for 1969, the rate is $2.40 to £1. The figures for 1956 are unofficial estimates.

	1956	1965	1967	1969
Insurance	70	81	150	243
Banking	30	33	23	97
Merchanting	30	30	30	45
Investment (Trusts, etc.)	—	35	37	41
Brokerages	20	28	31	54
Total	150	206	271	480

By Andrew Leigh

LONDON.—The "City" can mean what you like. To some it is just a geographcial area known as "the square mile," into which pour some 400,000 people every day to work. Others regard it as some kind of super corporate body whose monetary activities are tightly integrated and which speaks with a united voice. Many see it merely as a number of disparate markets and institutions offering a range of services.

Whatever your definition of the City, its role in the international context is likely to be hard to define, mainly because it is both complex and continually evolving. Daniel P. Davison, vice-president and general manager of Morgan Guaranty Trust of New York, has summed up how many people view the City simply by saying: "I am high on the City as a place to do business and as a financial center—very high. As far as the future is concerned, I think London has an unassailable lead as the international finance center of the world."

Such a formidable recommendation could not be made in the mid-1950s. Then the dominant center was New York, mainly because of the dollar's strength, the savings created by the American economy and its developed capital structure.

Meanwhile, sterling declined still further, went through a series of crises and worst of all, lack of convertibility allowed City institutions little money with which to work on an international scale. In short, London had a well-oiled financial machine that was only ticking over.

Dealing in Dollars

Rapidly, the City learned that it was not dependent on sterling. Bringing holders of surplus funds into contact with those requiring them could just as easily be performed with the dollar. This business based mainly in London received several fillips, first in 1958 when the European currencies were made convertible, and second, in 1963, when New York's international loan business was effectively killed by the Interest Equalization Act, which made it uneconomic for foreign firms to raise money in the United States.

What set the seal on London's role as the leader in international finance was the arrival of the American banks. The deteriorating U.S. balance of payments plus the restrictions on both direct and portfolio investment overseas have sent both U.S. and corporate borrowers back to London. The banks came because London was where it was all happening.

The scale of the invasion is well known. In 1955, there were only six American banks here and all had been around for decades. One of them found the scene so uninspiring that from a staff of 500 in 1932 it cut back the number by the mid-1950s to under 100. With the re-emergence of London, U.S. banks generally decided that they could not afford to stay away. By the end of 1970, all but two of the major U.S. investment banking firms had arrived.

Three underlying factors have also contributed to London's present primacy. First, the size and variety of financial services is unparalleled; second, the ability to adapt and respond to changing customer needs is practically unchallenged; and finally, the City's informality and self-imposed discipline has no equivalent in any other major financial center.

To talk of the size of services offered by the City does not imply they are largest in everything. You can probably raise more capital in New York, for example, but London is the biggest or most efficient place for shipping brokerage, gold transactions or insurance. Zurich or Basel are perhaps the largest money havens, but then neither is as skilled at putting capital to work.

Logistical Gains

Banks, discount houses, stock exchanges, brokers, Lloyd's and commodity markets all cram into the "square mile"—or 2 1/2 square kilometers, as we are learning to call it—and the rents at around $72 a square foot suggest just how packed it has become. But though working in such crowded conditions has its disadvantages, the logistical gains are considerable.

It is possible for an elderly and worried company director to visit nearly half a dozen different kinds of financial institutions to raise a loan and still reach the Savoy in time for lunch. On a less urgent note, one can find within the City practically any type of financial expert that it is possible to require. In making financial deals London is backed up by more brokers, bankers, lawyers, accountants and analysts than any other city.

This impressive range of technical expertise has always been one of London's most significant attractions. But in recent years the City has also managed to recruit a growing number of the most enterprising university graduates. A few years ago they might have chosen academia, the civil service or the more glamorous sections of industry. Now that the City is visibly so successful, it is able to offer large incentives to bright people who are drawn by the career prospects.

At least part of the inducement is in working within a world, rather than purely domestic, setting. The City has never been afraid of foreigners—a Swiss once governed the Bank of England—and partly gained its ascendancy through thinking and acting in international terms. It does so not only because the skills available are expensive and need to be deployed widely, but more basically because London cannot afford to depend solely one the domestic scene for its livelihood. As one merchant banker puts in succinctly: "The City is too big for England."

The need to sniff out business from a variety of places also makes the City extremely adaptable and responsive to customer needs. In modern terminology it is "marketing orientated," and this flexibility means that if London does not always invent a new financial tool, it may well popularize it.

Eurodollar Market

The development of the Eurocurrency market, in which dollars deposited outside of America are used to finance business anywhere in the world, has been primarily due to the initiatives of British merchant banks. In 1960, the currency pool was estimated at around $2 billion and from 1966, when the U.S. banks began arriving, the market boomed. The City has ridden the tidal wave; now the total amount estimated to be circulating is around $50 billion, of which London handles at least 60 percent.

From very short-term loans the business has grown to one where both medium and long-term capital is available through the Eurobond market in quantities which few local markets can offer. Five years ago a single loan for $100 million would have been almost impossible; today the City has several such deals under its belt.

The diversity of transactions is also huge; dollars placed in London, for example, by a Malayan resident, may easily finance a shipment or iron ore from Australia or Japan, or a capital project anywhere in the world.

In its role of answering customer needs, London has not

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Banks

(Continued from Page 9)

that it would have been easy to predict the eventual eclipse of the City as an international financial market.

Paradoxically, the weakness of the British economy and of sterling in comparison with the currencies of several competing European financial centers has done much to aid the Bank's policy. British residents have been subjected to some of the strictest exchange-control regulations in the developed world in order to protect sterling and the balance of payments. At the same time, however, because of this rigid distinction between resident and nonresident exchange controls, the Bank of England has been able to encourage the growth of the Eurodollar market in London without having to look constantly over its shoulder for any adverse effect its growth might have on the domestic economy.

The German government's determination to prevent a massive outflow of marks, for example, has impeded the development of Frankfurt, London's main competitor, as a Eurocurrency center. But with the dollar under pressure, the attraction of deutsche mark loans and hence of Frankfurt, is growing.

The Bank of England has also been extremely astute in its handling of the London market. "A major scandal" one banker remarked, "would do enormous damage to London's reputation. So far the bank has avoided one." It has done so by the careful screening of foreigners who want authorisation to act as bankers in London.

"The Bank has got a file on every leading overseas banker in the City," another banker claimed.

Authorisation to trade as a bank may be granted quickly, but it can take months or years. It may include restrictions on how the business is to be conducted; there may be a probationary period; and it helps to have an impeccable figurehead, preferably a British banker, on the board.

But the feature of the Bank's activities most frequently cited as facilitating international fund raising in London was its freedom from bureaucratic rigidity.

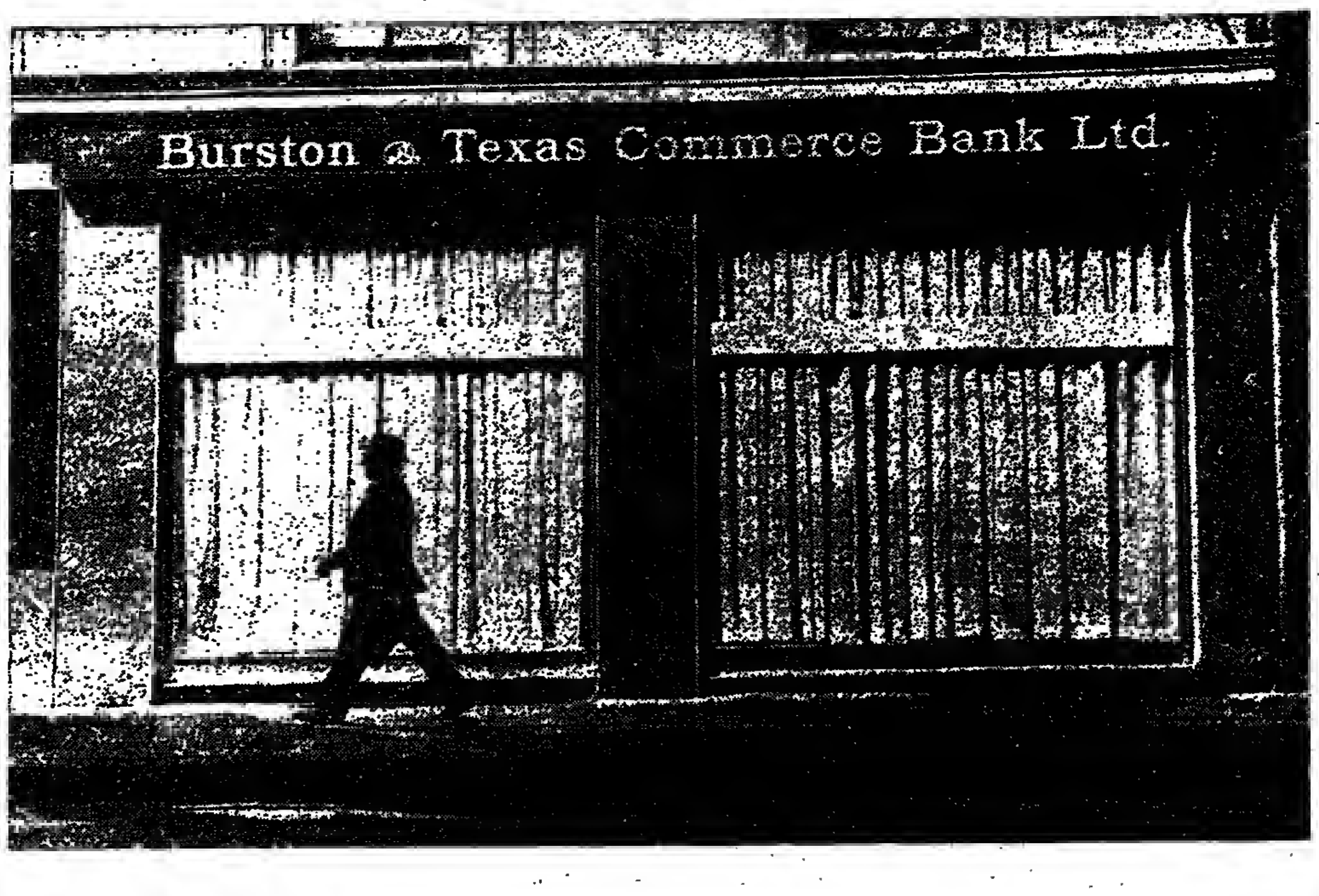
"If I want to do something," a member of a leading issuing house remarked, "I can telephone the Bank of England. If I do not get a decision immediately, the answer, yes or no, will invariably come the same day." He contrasted this with the clumsy procedures of the Continental center.

Informality and flexibility have undoubtedly encouraged the growth of London as an international capital-raising center. This pragmatic policy involves taking chances and a high degree of mutual trust between the authorities and the operators. It has worked, so far, largely because of the skill of the Bank of England and the intimate institutional atmosphere of the City of London.

There is confidence among bankers that the City will retain its position. Some hope that with Britain joining the Common Market, the City's future is assured. Outside the European Economic Community, however, the City could find it more difficult to play a leading role, especially if Europe progresses to a monetary union.

But one American banker remarked that there is a threat to London's position even if Britain does join the EEC. Membership could result in Britain adopting for nonresidents some of the strict exchange-control regulations applicable to residents. The recent currency crisis, and the consequent revival of demands for greater control of the Eurodollar market, bring this prospect nearer.

Mr. Fleming is on the staff of The Guardian.



ALTHOUGH the growth of American American A grow banks in London has slowed since the boom days of 1969, the totals are still formidable and the banks, despite high overhead and some rough waters, seem healthy and happy and no one is packing up to go home. Still, some British bankers are curious as to how some of the American banks are able to make their money.

U.S. Banks

(Continued from Page 9)

our own, with the Banco do Estado de São Paulo for the *São Paulo Public Works Department*."

At the Northern Trust Company of Chicago, a medium-size bank of $1.7 billion in deposits, W. James Armstrong, vice-president and general manager, said: "I think there's been a misunderstanding of why American banks come to London.

Service

"We never saw our prime purpose as bolstering home-office liquidity but rather servicing our United States customers internationally. Even if the American restrictions that gave rise to the Eurodollar market are changed some day, London is so entrenched in the international market that it will be necessary for American banks to be here.

"Overhead is high, but we've been operating profitably, and we've exceeded expectations."

Although the growth of the American banks in London has slowed since the boom days of 1969, the totals are still formidable. Current and deposit accounts rose from $8 billion at the end of 1967 to $12.8 billion in 1968, $28 billion at the end of last year.

At this level, the deposits of the American banks in London exceed those of the London commercial, or clearing, banks, which total $22.4 billion. However, the distinctive nature of the American operation is apparent from a breakdown of their loans.

Total sterling loans to British and other customers, such as American subsidiaries and foreign corporations, governments and institutions, came to only $1.9 billion. Loans in Eurodollars and other currencies were 10 times greater, at $19 billion.

As for sterling business, the long-established American branches suffer from similar administrative ceilings on sterling loans as those applied to the British banks.

For the Americans, this is an allowance of 107 percent of the March, 1970, base, with authorization for an expansion of 2 1/2 percent a quarter. The new arrivals have been given a sterling lending limit of £1.8 million each, which is trivial.

However, the expected loosening of sterling credit restrictions soon could give the American branches opportunities for additional sterling business.

These include a growth in the nondollar activities of the Eurocurrency market, such as business in deutsche marks outside West Germany, and a broader participation in the market.

Not everyone of course is satisfied with the way things are going in the Eurodollar market at present. Some European central banks—with the notable exception of the Bank of England—are calling for controls over the free-flowing Eurodollar market to mitigate the effects on national tight money policies.

Restraints

Britain, however, has barred her own companies from Eurodollar borrowings for domestic purposes for periods of less than five years. Within the market itself, at this time of easier money and greater eagerness to make loans, some concern is being expressed at the stretch-out in the terms of loans and in an alleged relaxation of the covenant restrictions on further borrowing usually imposed on the borrower.

John B. M. Place, vice-chairman of the Chase Manhattan Bank, expressed these concerns in a speech in Florida in March.

The fear is that major default by ultimate borrowers, who are usually unknown to the banks who have lent successive banks all along the Eurodollar chain could lead to widespread financial difficulties.

As far as the long-range future of the American banks is concerned, much depends on the future of the American dollar. The stability and unquestioned acceptability of the dollar is crucial to American banking developments abroad.

Meanwhile, although most of the big-banks are already well established in London, there are still a few surprises to come. The latest "American" bank to announce its London branch intentions is the Bank of Tokyo Trust Company of New York.

The Pound

(Continued from Page 9)

the colonial territories were, in effect, forced loans. In theory, the entire sterling assets were available to defend the parity of overseas sterling but, in practice, these currencies were rarely permitted to drift into the situation where this defense was needed. In theory, the expertise and resources of the City capital markets were available to overseas sterling area countries, but, in practice, they were rarely used by the bulk of the economically underdeveloped members of the empire.

Bonds of Loyalty

After getting their independence, virtually all of the former British territories opted to stay in the sterling area. But the old bonds of loyalty had been snapped. And with the emergence of the British economic "condition" in the 1950s and 1960s, involving as it did successive balance-of-payments crises, many of the overseas sterling-area countries began to reduce the proportion of their own reserves held in London.

It was uncertainty about the availability of these balances for the defense of the pound, allied to the disruptive movement of sterling balances held for trading purposes, that finally forced the 1967 devaluation. In fact, the last-minute movement out of sterling by both overseas sterling-area countries and foreign traders cost the authorities millions of pounds in foreign exchange in the 48 hours before devaluation itself.

The first step in phasing out the international responsibilities of sterling came with the Basel agreement in the summer of 1968. Under this agreement countries holding sterling in their reserves gave a guarantee that they would not run down the sterling proportion of their reserves below an agreed minimum. They also agreed to hold sterling broadly in proportion to their other reserve holdings. In return, the British government offered a dollar guarantee on the exchange value of a proportion of the sterling reserves. The Basel agreement at present covers reserves totaling some £2.3 billion ($5.52 billion).

French Concern

It was a good deal from the point of view of the sterling-area countries. On the one hand, their reserves were effectively guaranteed against any future devaluation of the pound (a guarantee backed by an international standby credit of $2 billion mainly provided by the United States and West Germany). On the other hand, holders of such sterling balances have continued to benefit from the much higher rates of interest which have been paid in London, compared with other international money centers.

It was the unspoken assumption of most, if not all parties, to the Basel agreement that it was interim. The trouble is that there are almost as many views about the form which a "final settlement of the sterling problem" should take as there are interested parties. It has been French concern about this final solution which has contributed to the slow and painful negotiations over British entry into the Common Market.

The French have two fears: first, they fear the extent of any future EEC liability to support *sterling*; second, they fear the most popular solution to the problem which is being canvassed in London and Washington—the transferring of the entire overseas sterling-area liabilities to the International Monetary Fund.

The French distrust the idea of an international central bank with the same money-creating *powers as a national central* bank. They particularly mistrust the idea of the IMF being given this job. Not only French, but other European interests see the IMF as an American creature and the Americans as irresponsibly committed to running a dangerously inflationary balance-of-payments deficit.

The conservative European view is that the flood of dollars pumped into the world economy because of the U.S. deficit is bad enough, but added to the systematic creation of still more liquidity, *in the shape of* Special Drawing Rights, it is positively disastrous.

The trouble is that there is no convincing mechanism for forcing the United States to correct its deficit.

Accord Needed

The growth of the Eurodollar market—a creation of the U.S. payments deficit—has brought into being an international credit market the scope and soundness of which no one really knows. Sooner or later the world is going to have to agree on a rational international money system if world trade is not to become hopelessly snarled up as a result of successive currency scares. Part of this solution will have to include a settlement of the sterling balances.

For the moment, and if a single European reserve currency is ruled out, this must involve the transfer of the balances to the IMF and some water-tight guarantee of a reduction in the U.S. deficit. It is an imperfect solution whose main attraction is that any alternative settlement looks even less satisfactory.

The lessons of the recent dollar-deutsche mark crisis only underline the need for some comprehensive international agreement to replace the "national" reserve currencies with liquidity issued by an international central bank. This latest storm has, mercifully, bypassed sterling. The next one could blow us all away.

Periodic Crisis

A rational solution to the problem of the sterling balances, and the dollar liabilities, has been bedeviled by the periodic crises in the monetary markets. The mark crisis was only the latest in a series which began with the sterling devaluation in 1967.

Uncertainty and upheaval in the money markets has created a hot-house atmosphere in which academic arguments about a sensible world monetary order have got entangled with international power politics. Writing shortly *after* the agreement between Britain and the Common Market, the betting between the creation of a new European monetary unit or an IMF-controlled international "paper gold" currency look evenly balanced.

But will the French persist in seeing a "European reserve currency" as a euphemism for an Anglo-West German banking alliance? Will the IMF be able to impose the kind of discipline on the Americans when they run up balance-of-payments deficits as they have successfully imposed on so many other countries? Will the Americans be tempted to solve their payments problems by retreating into monetary and trade isolationism?

Until these, primarily political, questions are solved, the technical solutions to the funding of the £24 billion of official overseas sterling balances will have to hold fire.

John Palmer is an economic correspondent for The Guardian.

RCA's new factory in Belgium.

In 1202, in Milmort, Belgium, a group of monks began services in their chapel, newly built of stone and oak from the fields around it.

In 1970, in 9,300 square metres of steel, concrete and glass, RCA began production of solid state devices in our new Belgian plant. Built on the same fields.

The stones in the oldest buildings stood more than seven centuries before we came along. They still stand. New structures rose as the chapel became a monastery, and then a farm. They are there to see.

Our site is characteristic of Europe—a determination to hold the best of the past, and gain the best of the future.

So the narrow windows and the ivied walls of the monastery farm keep watch now as today's Belgians build RCA power transistors, thyristors and rectifiers.

For television sets, computers and auto ignitions.

For communications equipment and instrumentation.

For a European semiconductor market growing toward $650 million a year by 1972.

And if you make the five-mile trip from Liege to our plant around the end of this year, you can wonder at the massive stone gate of the farm, and at the 30 types of power devices rolling off our lines at the rate of a million a month.

RCA has been creating and developing solid state devices since the business began in the U.S.A.

Now, with our new operation in Belgium, what we've learned, and what we will learn in this swift and very modern field, is more readily available to Europeans.

Right next door to their past.

RCA

Insurance: An Unprecedented Crisis of Confidence

When Vehicle and General Insurance collapsed on March 1, threatening to take many a reputation down with it, City insurers reeled and Parliament shook with demands for reform...

LONDON.—British insurance is currently struggling through its biggest crisis of confidence in over 300 years. At stake is its preeminent international reputation and although, as the doctors would say, the patient is fighting back with a good chance of recovery, the temperature chart has gone alarmingly high since the beginning of the year.

To understand this grave position, which led to anxious questions in Parliament, one must remember that the country's insurance market exists in two quite separate halves.

On one side is the British Insurance Association, which has among its 300 members some of the most widely respected names in the industry, blue-chip firms like Sun Alliance and London Insurance, whose origins go back to 1710, Commercial Union Assurance, Eagle Star Insurance and the General Accident Fire and Life Assurance. The association was founded during World War I and its members transact more than four-fifths of Britain's domestic insurance business. Figures for 1970 are not expected until later this summer, but in 1969 total net premium income came to over £3.3 billion ($7.92 billion).

On the other side of the market is the august presence of Lloyd's of London. Started around 1688, Lloyd's is not an insurance company—it is not a member of the BIA—but a collection of private individuals, grouped in syndicates, who accept business on a personal and unlimited basis. Unlimited means that the 6,000 members are literally liable even to their last diamond-capped collarstud; it also means that it is virtually impossible not to find someone who will insure the most unusual of risks, be it Tutankhamen's treasure trove or a film star's breasts.

In the extremely unlikely event of a member's assets not being enough to meet his commitments, there is a Central Fund, amounting to many millions of pounds, to maintain Lloyd's proud boast that it has never reneged on a contract.

Premium Income

Lloyd's accounts are kept open for three years so the most up-to-date figures are those for 1967, which showed that annual worldwide premium income had risen in 20 years from £126 million ($302.4 million) to an all-time peak of £600 million ($1.44 billion).

The present crisis came out in the open on the evening of March 1, when, after a sickening slide in the company's shares on the London Stock Exchange, Reggie Burr, finance chief of Vehicle and General Insurance, announced the company was bust. At first it only looked like a domestic matter, even if one in ten of Britain's motorists woke up the next morning to find themselves without the insurance cover required by law. However, it did not take long for the international ramifications of the affair to make themselves apparent.

Immediately, many of the members of the BIA took advantage of the situation to hike their motor insurance rates by 20 or 25 percent. At the same time, the association itself was criticized for admitting V and G as a member only five years previously. Parliamentarians of all parties hit at the BIA because it was felt its advertising had led the public to suppose that membership in the association was a guarantee of absolute security.

The BIA admitted it had claimed that previous insurance companies that had gone to the wall had not been members, but stoutly maintained that it was merely a trade association with no responsibility for keeping a policeman-like watch over insurance firms.

Not surprisingly, some people on the Continent, with an eye on the possibility of Britain gaining membership of the European Common Market, began to ask whether foreign motorists would be advised to arrange any sort of cover with a British company.

Reinsurance Firm

But an even bigger question mark was raised by the position of World Auxiliary, a long-established reinsurance firm which had been bought by V and G in 1968. A delicate but vital part of the London insurance market, reinsurance is an important contributor to Britain's "invisible" earnings. The brokers at Lloyd's feared the end of World Auxiliary would knock a big hole in Britain's balance of payments if overseas insurers began to look elsewhere.

Eventually, Lloyd's brokers prevailed upon Commercial Union Assurance to buy World Auxiliary to save it from being shut down. The brokers set up their own fund to meet World Auxiliary's liabilities and, significantly, many who would not have placed business with the company even in their wildest dreams were willing to support the fund voluntarily in order to preserve the good name of the London market.

As soon as everyone thought this problem had been swept under the carpet, a new storm broke. On April 22, a Labor MP, Ray Carter, released a letter from Nicholas Ridley, a junior minister at the Department of Trade. Mr. Ridley's letter disclosed that confidential information concerning V and G had been leaked from the department. The immediate implication was that somehow information detrimental to V and G had come into the hands of someone who was able to use knowledge that the company was on the verge of collapse to make a quick profit in the stock market.

There is nothing like the report of a leak from a government department to inflame British passions. But, as Patrick Sergeant, the widely respected city editor of the Daily Mail, remarked on April 27, anyone who had kept his ears open or watched share price movements could have guessed the company was in trouble.

"You would have thought," wrote Mr. Sergeant, "that Sir Leslie O'Brien [governor of the Bank of England] had sold the secrets of the hydrogen bomb to the Martians for payment in women."

But, the very same day, Prime Minister Edward Heath told Parliament that a tribunal of inquiry would be set up under a High Court judge to conduct a wide-ranging investigation of the Department of Trade and Industry's handling of the whole affair. This brought the number of inquiries into various aspects of V and G to four. The department's own inspectors are investigating under the Companies Act to see whether shareholders had been given all the information they were entitled to and whether any requirements of company law had been broken. The Ombudsman is probing complaints that the department had not acted quickly enough and had thus caused unnecessary losses to shareholders and policyholders, while the police are carrying out an investigation into the leak allegations.

Policy Proposals

These events have tended to overshadow the attempts of the BIA to protect people holding policies with member firms, and to prevent a repetition of the V and G scandal. Proposals for strong policing of insurance companies by the BIA have been mooted unofficially. Some members are in favor of the BIA appointing auditors with rights to peer over the shoulders of all members, and having the power to expel anyone who falls out of line.

There is, however, an equally strong body of opinion which feels that the BIA was not intended for police work and that even if it was, the practical difficulties would be immense. The Sherlock Holmes-style auditors would either have their hands full checking on perfectly respectable companies or, at the other extreme, if only a few firms were visited, those companies would have a long-lasting slur on their reputations.

Whatever decision the association's members eventually reach there are already signs of a new attitude. Early in May it was announced that Tulketh Group, a textile company in the north of England, was in financial difficulties. Tulketh owned two insurance companies, Bradford Insurance and Pennine Insurance, between them covering some 300,000 motorists. Simultaneous with the announcement, Phoenix Assurance, one of the most prestigious members of the BIA, said it would buy the two companies to prevent any public anxiety about their future. Obviously, some lessons have already been learned from the unhappy V and G affair.

The biggest beneficiary has probably been Lloyd's. Any insurance placed there is proof against anything but the very direst of catastrophes.

"If four fully loaded jumbo jets smashed into each other over New York at the same time as Tokyo disappeared in an earthquake, London Bridge fell down, the Rock of Gibraltar collapsed in a pile of dust and the North Pole thawed overnight, Lloyd's might be stuck. On the other hand, there would be no one left to pay insurance to," was how one broker picturesquely put it recently.

Switch to Lloyd's

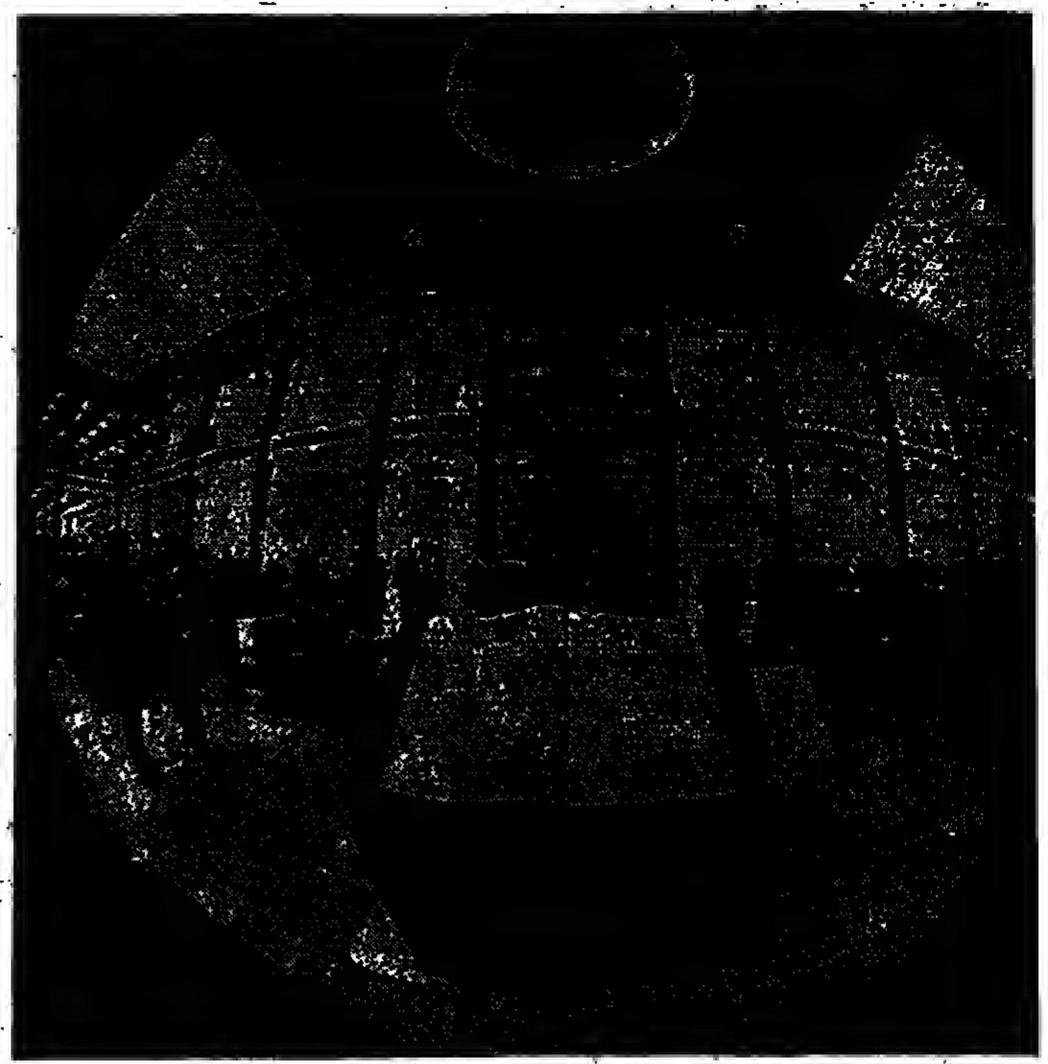
Many Britons who saw the fall of V and G have now realised this and are switching to Lloyd's for their insurance. The official motto of the London Stock Exchange is "My word is my bond" and Lloyd's, headquartered barely five minutes away in the heart of the City's financial district, has also been happy to take the same attitude.

In recent years it has subjected itself to a great deal of soul-searching in order to keep a grip on its international positi[illegible] the start of 1969 it open[illegible] doors to non-British memb[illegible] the first time in a bid to [illegible] new capital.

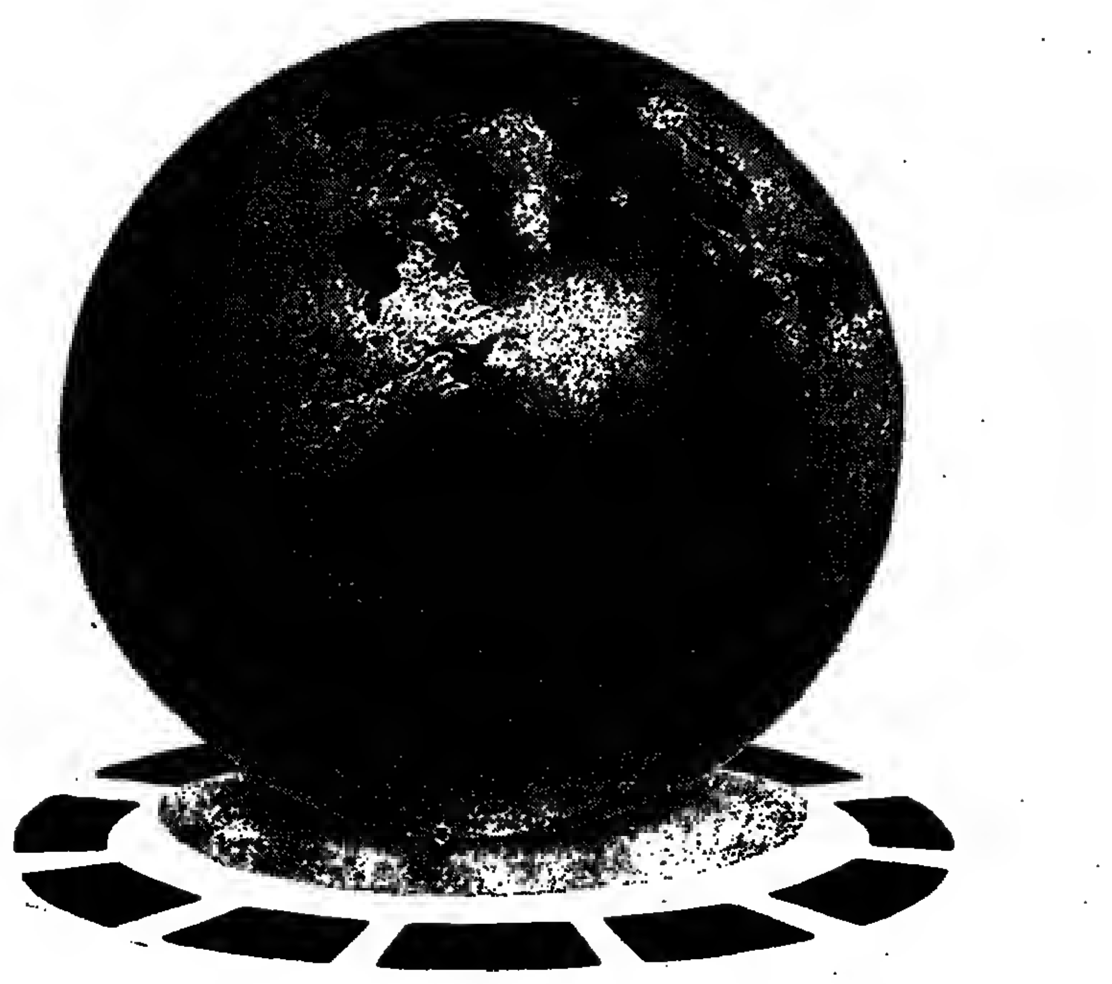
It took an even bigger st[illegible] ward, some would think, [illegible] later when it decided to [illegible] women as members, leavi[illegible] Church of England and the [illegible] Exchange as the only Briti[illegible] stitutions with a "men only [illegible]

Then in April, 1970, a [illegible] powered committee chaired [illegible] Earl of Cromer, now Br[illegible] ambassador in Washington, [illegible] up with a series of pr[illegible] which could expand Lloyd['s ca]pacity by £100 million ($24[illegible] lion).

During the sixties, Lloyd'[s rec]ord as a profit-earner was [illegible] In 1960, it made a profit [illegible] million ($69.6 million), bu[illegible] years later it was down to £589,000 ($1.414 million) a[illegible] the three subsequent yea[illegible] trailed in the red. But acc[illegible] for 1968 are expected soon [illegible] if unofficial whispers are [illegible] thing to go by, many people [illegible] be surprised if there is [illegible] profit of at least £16 millio[illegible] million).



Lloyd's, a fish-eye view



Commodities : Impressive Range

The changing pattern of world trade and an unsure economic picture have slowed trading.

LONDON.—For more than three centuries London has been a world center for buying and selling basic raw materials and commodities. The city is not so much an international market as a series of markets. Some trading takes place within the structure of a formal market. In other cases trading is carried on directly between brokers and merchants specializing in individual materials.

The evolution of the London commodity markets closely followed the rise of the city as a major international port. Those who detect a decline in the preeminence of the commodity markets today attribute this to the changed pattern of international trade and transportation. World War II severely disrupted the markets and it was not until the late 1950s that [trade e]ver reached anything like [the] prewar level for many com[mod]ities.

The range of materials dealt [in] is still impressive. It includes [cere]als of all kinds, rice, sago, [tapio]ca, cloves, pepper and spices, [tea], coffee, sugar, copra, ground[nut] oil, linseed oil, rubber, [turpen]tine, shellac, furs, wool, [hemp], jute, copper, lead, zinc, [tin] and diamonds.

Most business in commodities [is transacted] by private treaty, [as on] the Stock Exchange. The [prices] normally include the cost [of] insuring and transporting the [goods]. Payment is made when [the] shipping documents are pre[sented]; these days, with air mail, [this] is normally several weeks before the cargo itself arrives. A few commodities are still sold by auction. Teal, wool (shortly moving from London to Bradford) and tea have their own sales rooms. Special auctions are arranged from time to time for ivory and bristles.

Futures Market

The futures market is an important feature of the larger commodity markets. Although this is mainly a "professional" activity, it is still not unknown for amateurs with steel-lined nerves to have a go at predicting the future trend in prices. Among the foodstuffs, the futures market figures prominently in transactions in cocoa and sugar. Whenever "futures" are bought or sold, dealers have to pay a deposit to the London Produce Clearing House, which regulates daily settlements.

In spite of its glamour and rich historical associations, the experience of commodity trading in the last year or two has not been conducive to participation by amateurs. The whole of 1970 and the early months of 1971 witnessed one of the most precipitous and prolonged declines in prices since World War II. The background to the decline was the growing recession in the U.S. economy, followed by evidence of a slowdown in some of the most important European economies.

As far as the base metals have been concerned, the fall in industrial activity had a serious impact on prices. The price of copper, for instance, fell from more than £700 ($1,680) a ton at the start of 1970 to little more than £400 ($960) a few weeks ago. In the case of copper, and some other materials, economic problems have been exacerbated by political worries. The announcement that the new Chilean government would nationalize the mines, added to the industrial troubles in Peru's copper mines, and the uncertainty surrounding the future of the copper mines in Zambia all conspired to produce a loss of market confidence.

The recent recovery in copper prices owes something to the renewed hopes that the reflationary measures adopted by President Nixon will lead to resumed expansion in the U.S. economy. But another significant, and possibly short-lived, influence has been the fear of a nationwide copper strike in the United States itself.

The signs of a possible U.S. economic recovery have also helped a recovery in tin prices, although here too the decision by the U.S. government—under pressure from foreign tin producers—to suspend sales from the national stockpile, has probably had more influence.

Silver Expanding

A healthier underlying situation exists for some other metals, where demand is catching up with production. This is most obvious in the case of silver, whose industrial usage is expanding all the time. But even here the scope for future price appreciation is limited and the markets are overshadowed by the considerable stockpiles which have accumulated over the past 20 years.

The prices for several other industrial commodities remain in the doldrums. Rubber remains permanently under the threat of the wider use of synthetics. But an indication of the underlying weakness of this market is the periodic support operation which has to be mounted by the Malaysian government.

Jute has had a poor year as a result of the tragic sequence of events in East Pakistan. First the terrible flooding, then the political crisis which led to the intervention by Karachi forces, have disrupted supplies. The latest word is that remarkably little damage has been done to jute plants and that supplies will be back to normal before long.

The picture is less gloomy in the food commodities. Both cocoa and coffee have sustained big price falls in the past 18 months, but, for the moment, price levels appear to have been stabilized. As a result of overproduction last year, the Coffee Pact has reduced export quotas. In the short run this should help to maintain the recent firmer price levels, but in the longer run there will have to be a recovery in demand. Cocoa output this year looks like being a record, while demand is only slowly recovering from the low point last year. As a result there appears to be little scope for any far-reaching recovery in prices.

Tea Uncertainty

Elsewhere, tea prices have shown an upward trend, but this seems largely due to precautionary buying in view of the political crises in both East Pakistan and, more recently, in Ceylon. Efforts are being maintained to arrive at an international tea agreement. This would do much to bring about the better price which so many of the tea-producing countries need.

The basic market situation is a lot healthier for sugar, where demand seems certain to overtake production this year. Thanks to this and the improved quota system, prices are presently at a six-year high.

The prospects for the commodity markets depend heavily on the extent to which the U.S. and Western European economies are able to reverse the present drift toward slower economic growth. At present many primary producing countries are suffering from stagnating export markets and also from the inflated prices of industrial imports from the advanced economies.

The scope for further producer agreements is obvious. Bot the best hope for brighter days for the commodity producers must await an improvement in the economic outlook of the advanced industrial nations.

Foreign Exchange

By Hamish McRae

The number of banks participating in the market roughly doubled in the last decade, but the market has grown far faster. This growth has been accompanied by increasingly severe cost pressures.

LONDON.—The foreign exchange market here has long thought of itself as the largest in the world. Today, thanks in part to the influx of foreign banks in the City, it must certainly remain so.

Not only has the number of banks participating in the market roughly doubled during the *last decade but the centering of* the Eurodollar market in London has ensured that the market has grown far faster. But this growth has been accompanied by increasingly severe cost pressures.

The underlying reasons for this expansion are well known: the growth of international trade, the development of the Eurocurrency pool, the emergence of the multinational company and so on—the same factors that have led to the growth of international banking in general during the last decade. But the City feels, and with some justification, that the reason why this business should come to London, as opposed to other financial centers, is the efficiency of its financial markets.

To explain this one must look first at the structure of the market. Two things immediately distinguish it from most other foreign exchange dealing centers. The first is the number of banks involved; the second, the high proportion of business conducted through brokers.

In all, some 200 banks in London trade in foreign exchange. To be allowed to do so they have to be licensed by the Bank of England. But since permission is given to any bank that is recognized as reasonably honest and stable, this is no barrier to entry. Indeed, the Bank of England helps new foreign banks to find trained staff for the not entirely altruistic reason that it wants to be certain that any new arrival will be properly taught the unwritten code of practice of the City.

This ease of entry is one of the features accounting for the high number of foreign banks established in London. The other, almost certainly, is the efficiency of the money and foreign exchange markets. Perhaps the best evidence of the latter is to point to the high proportion of Eurodollar market business handled in London—more than half the world total at the last estimate.

The Sixties

This spiral of more foreign banks arriving in London to get access to the markets, in turn increasing the size and efficiency of the markets, was the pattern of City banking throughout the 1960s.

The second feature of the market, the dominance by brokers, is related to the large number of banks dealing in foreign exchange. The precise proportion of trading that takes place through them is hard to judge but is probably in the region of 75 percent.

In 1951, when the foreign exchange market was reopened after the war, nine brokers were permitted to act in the market. Since then foreign exchange broking has, in effect, been a closed shop, since those nine brokers form the foreign exchange market today. Their names (in no particular order) are Charles Fulton, Astley and Pierce, Quin Cope (Exchange), Savage and Heath, M.W. Marshall, Harlow Meyer, Godsell, Woolwarth, and R.P. Martin.

One is tempted to look for distortions caused by this restrictive practice. Actually, the organization of foreign exchange broking is far more satisfactory than money-market broking, where there is free access. Here the more reputable members of the market are deeply worried by the proliferation of fringe brokers who do not understand City ethics and who have somewhat haphazard dealing practices.

The heavy use of brokers has played a large part in enabling the markets to cope with the massive expansion of business during the 1960s, as both the Eurodollar market and the various sterling "parallel" markets emerged. But it would be wrong to ignore the growing pains that are now apparent.

There are two main problems: first, the City's now notorious shortage of office space. Despite the extensive use of telephone and telex, City banks insist, in their wisdom, that all dealing has to take place within five minutes' walk of the Bank of England. The annual rent per square foot for new office accommodation in the banking area, according to a survey this month by the Committee on Invisible Exports, rose from £3 ($7.20) in 1965 to £14 ($33.60) in 1970.

Salaries have similarly soared, with brokers bidding staff away from the banks. A recent survey by Lloyd Executive Selection showed that the foreign exchange dealers in their late 20s had increased their salaries by between 23 and 30 percent in the *last six months*. Senior dealers can now be paid substantially more than £10,000 ($24,000) a year.

It is hardly surprising that increases in costs such as these are beginning to tempt banks away from the City. While it is perfectly true that the foreign exchange market is no worse affected than other sections of the City, market operators are concerned at the rapid expansion of other foreign exchange and currency dealing centers, for example Toronto and Singapore. The brokers, typically, are not engaged in setting up a network of reciprocal arrangements with brokers in other centers and/or are establishing their own subsidiaries abroad.

No one believes that London's foreign exchange and money markets are seriously threatened at this stage. But no one can be happy about the present spiraling costs.

Hamish McRae is deputy editor of The Banker.

Bullion: Central Ritual of Finance

By Andrew Leigh

Each day, as the sun rises over the City, five wise men gather in the Gold Room of N.M. Rothschild's to decide the price of international finance's 'Holy Ghost.'

LONDON—Even the most sanguine bullion dealer would probably consider that Samuel Butler regarded gold with just a shade too much levity. The famous 19th-century satirist concluded that society and its workings so depended on a firm belief in the yellow metal that "no gold, no holy ghost may pass as an axiom."

Such rank hyperbole would in some ways seem excusable today. For many people, the London bullion market remains almost as mysterious as the Holy Ghost. Each day five wise men meet in a luxuriously appointed chamber and decide the world price of gold.

And should any monetary crisis give the international financial scene a stomach ache, then no matter whether it is the pound, franc, mark or dollar which causes the pain, the cost of gold will still be used to describe the symptoms.

Alan Jeffrey, a director of N. M. Rothschild and one of the five "wise men," agrees that "it is an absolutely crazy world monetary system in which liquidity should be allied to a metal dug out of the ground, and a metal which is diminishing in quantity!"

Increasingly, we have been moving away from using gold as a monetary unit and to a large extent there is now a dollar standard. But until gold ceases to have any major monetary significance, its price, and hence the workings of the bullion market, remain fairly central to world finance.

The setting of the price is a curious mixture of ritual and technology. At 9 a.m. each working day, dealers in the five member houses of the market are at their desks to handle client enquiries. In total, some 15 to 20 dealers are in contact by telephone and telex with customers around the world.

At exactly 10.30 a.m., the envoys of the five houses, Samuel Montagu, Mocatta and Goldsmid, Johnson Mathey, Sharps Pixley and N. M. Rothschild, meet in the latter's Gold Room at St. Swithins Lane, in the City. In front of each man is a little Union Jack flag, on its side.

The chairman, traditionally from Rothschild, suggests some possible gold prices. Each of the five envoys is in telephone contact with his own dealers' room and relays back the proposed prices. The dealing room rapidly calculates a net gold requirement based on clients' orders and the envoy in the fixing room is informed.

When there are both buyers and sellers, the envoys reveal their gold needs. Prices are altered until demand matches supply. At any time before this happens and the price is settled, the envoy can change his mind about his gold requirements by raising his little flag.

During the fixing, people all over the world can directly participate in determining the price via the five dealing rooms, by giving orders to buy or sell. It is essentially a dynamic process in which prices alter rapidly, but reasonably smoothly.

Before the fixing starts, dealers are quoting a spread of prices around the previously agreed one. This difference between buying and selling price gives them their commission. But during the actual fixing, sellers are offered a single price with no additions or subtractions, while buyers pay an extra 1/4 percent brokerage fee, or roughly an average of 10 cents per ounce.

When people were scrambling for gold in the midst of the 1968 crisis, the process of arriving at a price was chaotic and took around 45 minutes. In normal times the whole affair lasts only about five minutes and is repeated again in the afternoon.

What puzzles many casual observers about the bullion markets is why London, in particular, is so important. The threefold answer is that London is a world communications center enabling the fixing process to flow smoothly; it retains the necessary expertise; and finally, it has dealt in bullion for decades.

None of these characteristics guarantee a total monopoly of the bullion trade and in recent years Zurich has handled a growing amount of business. Turnover figures are not generally known, though one London dealer guesses that the trade is split about equally between the two centers.

Nor is London still handling gold which the various central banks around the world are moving around in settlements. The solution to the 1968 crisis was the creation of the two-tier structure in which the central banks deal with their gold among themselves. They also decided not to buy any newly mined gold for monetary purposes, or to sell any monetary gold for private use.

This left the "free market" essentially on its own. Apart from traditional sources such as hoarding and speculators, the main supplies come from newly mined gold being sold by South Africa and countries such as Australia, Canada, Ghana, Russia and the Eastern European nations.

Until late 1969, South Africa, which is the main source, did not need to sell gold, since its balance of payments was favorable. With a deterioration in this, and a fall in the free market price, an agreement was finally made in December, 1969, whereby the International Monetary Fund buys any gold offered by South Africa at or below $35 an ounce.

South Africa can also sell its gold on the "free" market whenever the price exceeds $35 an ounce and since 1970 has marketed almost all its new gold production this way.

In January of this year it sold $32.55 million worth to the IMF.

Many people predicted that the two-tier system would not work, but with its traditional flexibility, the market has had no real trouble in adapting to the new situation. As for the future, the trend seems to be toward a total demonetization of gold. This would make it just like any other commodity with a much greater freedom for people to trade in it. The development of a regular forward and terminal market would tend to follow.

But for the moment, gold retains a significant place on the world scene. It is certainly still important enough to justify Allan Jeffrey's claim that "the price on the London market gives a true representation of what the world is feeling about the international economic and political situation at that moment."

Euromarkets: The Crucial Role of the Eurodollar

By Christopher Fildes

At some historic moment in the Sixties, London seized the opportunity to become a principal broker for foreign capital with the result that finance was Britain's best growth industry in the last decade. The reasons? The City's convenience and a light governmental rein.

LONDON.—We used to say that Sir Leslie O'Brien ought to keep a dummy aeroplane in the vaults of the Bank of England, so that he could practice arriving at Basle or Washington or wherever looking confident. That was in the bad old days of sterling. Now that the governor can descend from the skies looking and feeling confident, nobody photographs him doing it.

So his arrival this spring at Midway Airport, Chicago, drew less attention than it deserved. Sir Leslie was there to address the Bankers' Club. He tickled that learned audience with a learned reference to the influence of Cook County tax dates on the U.S. money markets. Then he embarked on a full-scale defense of the Eurodollar money and capital markets, and of the Bank of England's liberal attitude to the growth of these markets in London.

From any other central bank governor, that would have been sensational. Like other men, they are temperamentally averse from things going on in their parish which are not under their control. They were worried enough even before last month's great tidal wave of Eurodollars, which washed away the defenses of four fixed parities and has provoked the bankers into discussing new forms of flood defense. The Bank for International Settlements is now making an urgent study of the subject, and will put forward proposals next month and then it will be fascinating to see what line the Bank of England takes.

Underlying Causes

For the temptation is to put the blame on the market, simply for being there. And the danger of that, Sir Leslie told his Chicago hearers, "is that it distracts attention from the real causes of international maladjustment—for any problem that is transmitted must have underlying causes quite independent of the agency through which it is transmitted." There was hot money, and speculative pressure, before ever there were Eurodollars. And if there is more of both than before—well, business has got bigger and more international and it is no surprise if the financial markets which support it follow suit. Observe the blandness of Sir Leslie's conclusion: "Short of heavy-handed attempts to control it, the Eurodollar market has a promising future."

The growth of the Eurodollar market, a light hand on the reins at the Bank of England, and the renaissance of the City of London have gone together from the beginning. It is no coincidence that Sir George Bolton, who as chairman of the Bank of London & South America had as good claim as anyone's to have fathered the Eurodollar market, had six years earlier as a director of the Bank of England fathered the Robot plan for a convertible, floating pound. Always anxious to see the City flourish as an international financial centre, the bank believed that this demanded liberal policies. For perhaps half the sixties, the bank also believed that it meant fostering the use of sterling. It is not five years since a suggestion that London might soon see dealings in dollar-denominated bills of exchange drew an official rebuke: "Don't forget, young man, that this institution has a branded product of its own."

Newer Arrival

Today dollar bills of exchange and dollar certificates of deposit are a common-place in the City. Dollar-denominated commercial paper is a newer arrival. Similar securities in other Euro-currencies will make their appearance soon. The discount houses, who provide the market in this type of security, have just been granted permission to deal both as principals and as brokers—previously they had to choose between one or the other. Eurodollar markets recently pioneered from London include roll-over credits, floating rate notes, and a specialized business in medium-term finance. So it may well be true that the decline of sterling as a reserve and trading currency has positively helped the City. How pleasant to find ingenious new uses for other people's currencies, untrammelled by any possible domestic difficulties attaching to one's own!

Domestic difficulties attach to the dollar, too, but they have been a positive boon to London. For each has led to some form of control or moral suasion whose effect has been to drive business away from the U.S. Interest Equalization Tax closed New York to overseas borrowers. Regulation Q prevented the American banks from paying competitive rates for their deposits at home, and sent them scurrying across the Atlantic to fish in the Eurodollar pool. Ever-tighter restrictions on foreign direct investment have forced American companies to finance their overseas operations on the spot. There were pressing reasons, of one kind and another, for all these measures. But their opportunity, and London seized it.

Foreign Stimulus

Quite what that opportunity has meant to the whole British economy is only now being realized. Looking back on the sixties, it is clear that finance was Britain's best growth industry. The group of services which most people would lump together as "the City"—banking (insurance, merchanting and brokerage—in that period increased their net overseas earnings by something like three times, to something like $1,200 million a year. Insurance is the biggest earner, but banking's contribution has grown the fastest.

The City has become more outward-looking, more aggressive, more ingenious and less cartelized. In all this the merchant banks set the early pace; but they have found both competition and stimulus from the foreign banks that have flocked to London. A year or two back, it seemed that not a week went by without some American bank announcing its arrival in London with a cocktail party and discovering, too late in the day, the modest strength of British domestic gin. The pace of the invasion was too hot to keep up. But more than 150 banks, from 48 different countries, now have branches or representative offices in London, and it has been estimated that they now contribute half of Britain's net overseas earnings from banking. Within the City they have done wonders for salaries, and many a young hopeful has found himself translated into an experienced foreign exchange dealer—with varying results. They have also seconded to London some of their real flyers. The City has appreciated their qualities and has learned from them. With the banks have come those American, Canadian and Japanese brokerage houses active in the Euro-markets: they have opened new offices in London or greatly expanded their old ones.

What do they find in the City? Mr. Daniel P. Davidson, London of a candid friend: "Real estate prices are absurd. Skilled bankers are becoming over-priced. Clerical turnover is scandalous." But, "the City of London is fortuitously blessed with a large supply of natives who speak a strange but unmistekeable English": the language of international business and specifically of the Euro-markets, however much irritation that thought may cause in the Elysée. Time and place, too, are on London's side: "Our London office" says Mr. Davidson, "is open when all the other branches are open—New York is not... There are about three times the number of American commercial banks in the City as there are in New York, our principal financial centre. It is too convenient a place to do business to be ignored."

Flexible Controls

But first among the City's advantages Mr. Davidson puts "the regulatory atmosphere. It is meant to encourage foreign banks to come here. It does." And he singles out the Bank of England's ways with foreign banks: "As far as sterling business is concerned, the supervision is close and continuous—but it is also intelligent and flexible. As far as non-sterling business is concerned, the supervision is much less constant. Regulation is minimal. This is not the result of inattention because the Old Lady knows as much and probably more than anyone about the Euro-market. It is a deliberate policy to let market forces control the market."

The governor, in his Chicago speech, put that another way. Speaking of the credit risks of the Euro-markets, he said:

"Our tradition in Britain is of a less formal supervision of banks than is customary in some other developed countries... Ultimately, the stability of the market depends upon the judgment, prudence and self-discipline of those who participate in it. External controls have to be very skillfully, and in my view sparingly, applied if they are to reinforce rather that undermine these qualities."

It is no wonder that, warmed by this benevolent tradition, the Euro-markets have flourished in London. Small wonder, either, that the foreign exchange director of Schroder Wagg has been publicly worrying about London's share of this business if Britain joins the EEC and has to adapt to more rigorous and legalistic methods of control. Those who live by foretelling the future will scan the B.I.S. proposals and the Bank of England's reaction for the first real clues.

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A Monetary Portrait

United Kingdom: External monetary movements.

This portrait of British monetary movements was extracted from the official report of the Bank for International Settlements. It covers the period April 1, 1970, to March 31, 1971.

Items	1969	1970 Year	1970 1st quarter	1970 2nd quarter	1970 3rd quarter	1970 4th quarter	1971 1st quarter
	In millions of US dollars (+ = increase in assets, decrease in liabilities)						
Official financing							
Gold and foreign exchange reserves	+ 105	+ 35	− 120	+ 100	− 110	+ 165	+ 275
SDR allocations	—	+ 410	+ 410	—	—	—	+ 300
SDR transfers	—	− 145	− 105	− 20	− 15	− 5	− 85
Counterpart of gold subscription to IMF	—	+ 90	—	—	—	+ 90	—
Net payments (+) to/receipts (−) from foreign monetary authorities	+1,605	+2,785	+2,175	+ 445	− 380	+ 545	+1,455
IMF[1]	+ 75	+ 320	+ 250	+ 20	+ 15	+ 35	+ 890
Total	+1,785	+3,495	+2,610	+ 545	− 490	+ 830	+2,835
Other monetary movements							
Sterling balances (gross)	− 955	−1,090	− 700	− 375	+ 15	− 30	
of sterling-area holders	*− 605*	*− 835*	*− 465*	*− 420*	*− 65*	*+ 115*	
of non-sterling-area holders	*+ 120*	*− 235*	*− 240*	*+ 40*	*+ 75*	*− 110*	
of international institutions[1]	*− 170*	*− 20*	*+ 5*	*+ 5*	*+ 5*	*− 35*	
Sterling claims of UK banks[2]	+ 120	− 155	− 125	+ 100	− 55	− 75	
Foreign currency transactions of UK banks (net)[3]	+ 265	− 730	− 260	− 215	+ 195	− 450	
Total	− 270	−1,975	−1,085	− 490	+ 155	− 555	
Overall balance	+1,515	+1,520	+1,525	+ 55	− 335	+ 275	
Overall balance excluding SDR allocations	+1,515	+1,110	+1,115	+ 55	− 335	+ 275	

[1] Excludes sterling liabilities to the IMF as the counterpart to drawings, repurchases and subscriptions. [2] Excludes export credit. [3] Excludes trade credit and UK residents' Euro-dollar borrowing in London for investment overseas; includes UK banks' net transactions in currencies of the overseas sterling area.

LONDON.—The outstanding feature of British monetary movements during the period April 1, 1970, to the end of last March was the very large further improvement in the net reserve position, as measured by the changes in official reserve assets and in official short and medium-term external indebtedness.

During the 15 months up to March 31, the United Kingdom recorded an official financing surplus of $6.1 billion, including the first two special drawing rights (SDR) allocations. External indebtedness was reduced by $4.7 billion, including the repayment of the whole of the $3.7 billion of central-bank assistance outstanding at the end of 1969, together with a $1 billion reduction in indebtedness to the International Monetary Fund.

At the same time, official reserve assets rose by $790 million, including the 1970 and 1971 allocations of SDRs totaling $710 million. During the two and a quarter years from the end of 1968, when it reached a peak of $8 billion, the United Kingdom's short and medium-term official external indebtedness was reduced by $6.4 billion, $5.3 billion having been repaid to foreign monetary authorities and $1.1 billion to the IMF.

For the year 1970 the official financing surplus (including the SDR allocation) was $3.5 billion, nearly 90 percent of which was used to reduce indebtedness. While $1.5 billion of this surplus resulted from the balance-of-payments surplus, the remaining amount of nearly $2 billion essentially reflected two substantial monetary inflows: additions of $1.1 billion to sterling balances, excluding balances which represent the counterpart of central-bank assistance; and a net inflow of $700 million through foreign currency operations of U.K. banks with nonresidents.

Overseas Holders

As in 1969, the bulk of the rise in the sterling balances was in those of overseas-sterling-area holders, which went up by $835 million. Within this total, official holdings rose by $490 million. Since the introduction of the dollar-value guarantees in September, 1968, the sterling balances of overseas-sterling-area countries, under the combined influence of a large balance-of-payments surplus, the guarantees themselves and the level of interest rates in the United Kingdom, have risen by $1.6 billion. This is more than accounted for by a rise of $1.7 billion in officially held balances; private balances continued to fall until the end of the third quarter of 1969, but rose by $300 million during 1970.

In addition, the sterling balances of nonsterling-area countries went up by $200 million in 1970, almost entirely on private account. At the end of 1970, however, these balances were still well below predevaluation levels.

The inflow of $730 million arising out of British banks' net foreign currency transactions with nonresidents reflected short-term foreign currency borrowing from British banks by U.K. companies for domestic purposes. Such borrowing was influenced by the credit ceilings on the banks' sterling lending and, especially in the last quarter of the year, by considerations of relative cost.

The balance of official financing items fluctuated very widely during the course of the year, from a $2.2 billion surplus (excluding the first SDR allocation) in the first quarter to a $500 million deficit in the third; and then back again to a surplus of $800 million in the final quarter. While these fluctuations were clearly linked to the variations in the overall balance of payments, their size was increased by the swings that occurred in nonofficial monetary flows.

Net Inflow

Thus, the very large first-quarter official financing surplus included a net monetary inflow of $1.1 billion. The chief factor in this inflow was a $700 million rise in sterling balance; the seasonal strength of the sterling area's balance of payments produced a rise of $500 million in its balances, while the return of confidence in sterling brought a $200 million increase in nonsterling countries' balances.

In the second quarter, when the overall payments surplus almost vanished, the net official surplus mainly reflected a continued marked increase in the sterling area's sterling balances. In the third quarter, when the emergence of an overall payments deficit was accompanied by a turn-round of nonofficial monetary movements to a net outflow of $200 million, the official financing balance showed a deficit of $500 million. Most of this deficit was covered by a $400 million drawing on the Federal Reserve swap line.

The change to a small net outflow on nonofficial monetary account was accounted for partly by a seasonal decline in the sterling area's accumulation of sterling, and partly by confidence factors—the effects of which showed up in a decline in nonsterling countries' sterling balances as well as in a net foreign exchange outflow through the banks.

In the fourth quarter the return to a substantial official financing surplus owed most to a net inflow of $450 million through the banks' foreign exchange position, the reasons for which have already been mentioned.

In the first quarter of 1971, there was an official financing surplus of $2.6 billion, of which $300 million came from the second allocation of SDRs. In response to the high level of interest rates and, more generally, to a shortage of liquidity in the company sector, there was a large inflow of short-term funds.

Although much of this will probably be reflected in a large positive errors-and-omissions item in the balance of payments, it is likely that the sterling balances showed a further substantial rise and that there was further switching of foreign currencies into sterling through the banks.

The Stock Exchange: Meeting the Challenge of the 70s

By Donald Buckley

The decolonizing 'winds of change' of the Fifties left the stock market with a vacuum to fill and a sense of urgency about facing the modern technological era. After some false starts intended to meet faster competition, the Exchange has put on a new suit of steel and glass.

LONDON.—The future role of the London Stock Exchange in the European investment scene, let alone as a dominant focus for international investment, now depends to a large extent on the formula being evolved to carry it finally into the highly professionalized and technical Seventies.

In its heyday, and even up to the end of the Thirties, London was unquestionably the dominant securities center; there was not a bank of any consequence anywhere that had not a London office or agency; investment business from every quarter of the globe gravitated to the Square Mile of the City, which possessed, beyond all comparison or competition, the greatest market in stocks and shares. By the measure of the number of separate capital issues officially quoted (just over 9,000 on the latest count), the Stock Exchange is still by far the largest market.

The Stock Exchange assumed its master role, quite logically, in step with Britain's colonial expansion during the last century; new share markets in gold, the base metals and tropical produce followed hard on the heels of the pioneers and prospectors pressing on into the Veldt and the Outback.

A New Client

For some years past, with the gradual surrender of our overseas possessions, this process has been in reverse; the great gold and base metal counters of the past have dwindled to a shadow of their former size, and some, like the once animated market in West African gold shares, have vanished. The "winds of change" acknowledged in the late Fifties finally demolished lingering illusions of colonial grandeur, and left, it must be admitted, as great a vacuum in the stock market as elsewhere.

With the sheet-anchors of the past tearing away, the Stock Exchange also gradually awoke to the fact that the source from which it had traditionally drawn its business—the direct private investor—was being supplanted by the steady encroachment of the institutional investor in the field of the industrial equity. While the individual investor was in eclipse, however, the ranks of the popular investor were expanding fast in the hothouse of inflation and easy credit. But the latter's small savings were being channeled at secondhand through the chromium-plated portals of the vast intermediaries, particularly the merchant banks and unit trusts.

It is easy to oversimplify the causes and consequences of the market's failure to get on terms earlier with the postwar trends. One reason undoubtedly was that, in the immediate aftermath of the war, there was a sufficient hangover from the club-like past to obscure for a time the background pressures; there was the euphoria of victory, a gratuity spending spree, boomlets born of postwar shortages, followed by the redeployment of immense capital sums released by successive nationalization measures. All this kept an aging membership fully occupied. To this extent, it will be appreciated, the Stock Exchange got away on somewhat the wrong foot in the earlier postwar years.

Parallel with the diversion of business into the big institutional hands, there was a steady inflation of operating costs, particularly salaries and rentals, and intense pressure on members' capital resources due to the larger scale of operations, requiring, among other things, correspondingly more costly statistical services.

Finance, therefore, was the first problem. As far back as the mid-Fifties, member firms, already under financial stress, were beginning on the path of accelerated mergers in an attempt to keep step with the bigger investment groupings institutionally. The jobbing firms (the share wholesalers, as it were), in particular, hurried to close ranks, their numbers falling from nearly 250 at the end of the war to 28 today.

But in attempting to adapt the old methods, by a series of improvisations, to the changing conditions, the Stock Exchange tended to undermine its former efficiency and authority. In particular, it impaired its main prop—the former keen competitiveness of its much-vaunted jobbing system. Stockbrokers too were beginning to merge, in an endeavor to get under the expenses barrier.

Restive Money

By the end of the Fifties, the big money behind the market began to get restive. For the costly privilege of maintaining a market for the establishment of prices, the Stock Exchange saw its business being eroded by provincial competitors, often operating in an adroit broker-jobber capacity; by the institutions with the advantage of unbridled public advertising; and by numerous intermediaries, such as portfolio managers and investment counselors, performing on its perimeter.

The scheme to rebuild the Stock Exchange was by then already being pushed relentlessly. It was seen that it was needed physically to reassert the presence of the market in the City, and that inevitably meant the focue of a modern, challenging building to compete on level terms with the institutions, already beginning to enshrine themselves in aggressive glass and concrete.

When the die was irrevocably cast for the rebuilding in August, 1966, the elderly, who had, perforce, lingered beyond their time as a result of the war, began to vacate the scene in increasing numbers. This exodus coincided with the influx of the postwar generation of members and clerks, whose youthful enthusiasm knew little restraining influence in the heady conditions of the Australian nickel boom to follow in the late Sixties.

It was against this background that the Stock Exchange crossed the threshold of the Seventies to the accompaniment of big events—a new 26-storey skyscraper building arising from the descending rubble of the old; frustrated women aspirants to membership knocking insistently at the door; computerization and modern communications; Stock Exchange federation both at home and with a view to a closer link-up on the Continent; the admission for the first time of outside capital.

Infusion of Funds

Of these and other developments, undoubtedly the most important structurally for the Stock Exchange was the admission of outside capital to corporate jobbing firms, although not more than 49 percent of a firm's total capital may be provided in this form, nor more than 10 percent from any one quarter. Apart from the needed infusion of fresh finance, this move should ensure the allegiance of the institutions, on a mutually beneficial basis, whereas, in the past, too much important business has bypassed the market as a result of inter-institutional dealings.

With the same underlying object of cementing outside interests, but this time on a wider scale, the Stock Exchange's rules are being amended to admit foreigners as members, doubtless with an eye to Common Market entry. At the same time, it is proposed, but not yet agreed at the time of writing, to sanction advertising by member firms. This concession would remove the present disadvantage under which firms labor in competing with the institutions.

Finally, and again on the financial score, it is being considered whether the official minimum backing of £5,000 ($12,000) per member-partner should not be doubled. The possible advisability of this has arisen because of the lack of liquidity exposed by the long delay in settlement, and consequent big financial commitment, in much Australian nickel business.

As the spread of wealth continues, and the institutional investors increase still further their stake in the stock market, in their function as collecting agencies for small savings, so the Stock Exchange must continue to adapt its machine and services to this form of business. The service to the private investor may understandably suffer in the process, and become, for the smaller individual, disproportionately expensive. This, in due turn, must further the growth of the channels of indirect investment.

The process will be accumulative, which means that in time the Stock Exchange and the institutions will become inextricably interwoven.

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Trade Banks: Consortium

As the imperial banking system fades away, City bankers have turned their attention to the developed world of Europe and America.

By Andrew Davenport

LONDON.—Not since the days of the British Empire have London bankers had to devote so much attention to international trade. The British banks have always made a significant proportion of their profits from domestic banking in developing countries, but the last vestiges of the imperial banking system are rapidly fading away.

Over the last two years a general pattern has emerged across Africa either of all-out appropriation of foreign banks or of majority state participation with the banks continuing to operate under a management contract.

In May, South African Finance Minister N. Diederichs announced in his budget speech that, eventually, all foreign banks in South Africa would be required to offer the public a 50 percent stake in their companies.

Meanwhile, the Ceylon government intends to nationalize the banks, while the economic troubles in India and Pakistan have restricted the profitability of banking operations there.

All this has meant that the British banks have had to concentrate on the developed world and in particular on Europe and the United States. This has been the reasoning behind the plan to merge the interests of Barclays Bank and its 57-percent-owned subsidiary, Barclays DCO.

Barclays in U.S.

Traditionally, Barclays DCO has been very powerful in Africa, but as its interests have been whittled away by nationalisation, it has turned to Europe and the United States, where it has set up Barclays Bank of California and Barclays (New York).

Similar reasons lie behind the merger of Lloyds Bank Europe and the Bank of London and South America into a new company, Lloyds and Bolsa International Bank.

Just as they are expanding their business in the developed world, British banks have been hurrying to diversify into new activities such as insurance, underwriting, property, investment, shipping and import-export. They have also been organizing themselves into consortia with foreign banks to service the needs of the growing number of international companies.

Traditionally, in Britain, the job of raising the huge capital sums required to finance the multinational company has always belonged to the merchant banks. They take the line that although they have not got the resources behind them, they are essentially organisers and have such powerful friends and contacts that they are in a position to raise the neccessary finance.

However, the deposit banks have always resented the merchant banks for often making substantial profits on this kind of business and so have formed themselves into international consortia.

A consortium, or multinational bank, has the means to make very substantial loans from the combined resources of its member banks. And a consortium can do this without overcommitting any individual bank to an investment which would unbalance its loan portfolio.

Pioneer in Field

In Britain, the Midland Bank is the pioneer in this field with its participation in the Midland and International Bank in 1964. "MAIBL," as the bank is now affectionately known, has grown up to be a big girl.

The Midland Bank shares the MAIBL venture with the Commonwealth Bank of Australia, Standard Bank and Toronto Dominion Bank.

Just about all the major London banks have formed themselves into consortia. One of the biggest and most exciting so far has been the Orion Bank, which was formed last October. Its powerful backers are National Westminster Bank, Chase Manhattan, the Royal Bank of Canada and a German Bank, Westdeutsche Landesbank Girozentrale.

Opponents of the consortium concept argue that they will attract business which would otherwise have gone to just one of the member banks and so this could mean a conflict of interest.

However, the banks maintain that they will do all the business they can on their own account and only pass on to the consortium business which is too big for them to handle.

The consortium is also an essential part in the development toward "one-trip" banking. The principle behind "one-trip" banking is that any customer can walk through the front door of his bank and obtain every possible banking and financial service which he might need.

This kind of thinking has been the motivating force behind the banks' expansion into fields such as insurance and export services. Teams from individual London banks now frequently make trips abroad to organize overseas trade for their customers.

Cash for Exports

The most obvious area where the London banks contribute to international trade is by raising finance for British exports. The principle behind export finance is that cash is required to bridge the gap between delivery from the exporters' factory and the receipt of the goods overseas. Also, in a great many cases, the exporter will not be paid for his goods until the overseas importer has passed them on to the end-buyer.

The amount of export finance which is needed and the length of the loan depends, of course, on the kinds of goods involved and the distance between exporting and importing countries.

The credit required to finance any particular export-import transaction can be provided in three different ways. First, the banks will lend the supplier money to keep him in cash until he has been paid for his goods; second, credit may be provided to the buyer or importer so he can pay for his goods in advance or on receipt; finally, the banks will make funds available through a "line of credit."

"Lines of credit," or "shopping-basket credit," became popular about five years ago and is now becoming increasingly important. Usually bankers provide these lines of credit to developing countries for a specific major capital project such as a hydro-electric project.

A London merchant bank will negotiate with the country in question and raise for them sufficient money from the deposit banks in sterling or Eurocurrency. The importer will then use this money to pay for machinery, which he buys from British manufacturers.

A government department, the Export Credits Guarantee Department, provides insurance cover for export credit and so the British banks can operate on a completely risk-free basis.

Rate of Interest

In return, the government lays down that the banks charge a fixed rate of interest of 7 percent on long-term export finance of between two and 15 years.

With administrative expenses insurance costs, this usually w out at 8 percent, which is point more expensive than charged by the Eximbank of United States.

For short-term export cr of up to two years, the ba charge interest at bank r currently 6 percent.

The proportion of British ports insured through the EC has risen from 8 percent in 1 to around 34 percent tod Since 1930, the department insured business valued at $30 billion.

The pointer for the Bri banks' future is diversificat and participation; diversificat into new markets and new op tions and participation foreign banks in internati consortia.

Trade is having to rely m and more on banks for cash surance and advice, and banks are working hard to crease the scope of their serv at home and overseas.

Common Market: A Reaction

Businessmen voice enthusiasm over EEC terms, but they are not putting their money behind their words.

LONDON (NYT).—British businessmen are generally giving a warm reception to the terms obtained for British entry into the European Economic Community.

However, businessmen show no signs of backing their enthusiasm with increased capital investment to exploit the expanded opportunities. In the recessionary British economy, such investments fell 5 percent in the first quarter of the year, while output was down one-half of 1 percent in the period. Only marginal increases are expected for the year.

An investment surge could be jolted loose by parliamentary approval of the Common Market entry terms this fall. But a more effective increase would likely come from a government decision to stimulate the economy and take direct action to arrest galloping wage-price inflation.

A Danger

Despite growing public pressure for such moves, Anthony Barber, Chancellor of the Exchequer, said last week he would take no action until after he reviewed new Treasury forecasts, which are due the middle of next month.

Some analysts are suggesting the reason the Common Market looks so good at the moment is that the British economy looks so bad. The danger for pro-Market executives is that widespread disenchantment with the Conservative government, high unemployment and nearly 10 percent price inflation might rub off into even greater public disenchantment with the government's pro-Market program.

Already, the British businessman is far more enthusiastic than the British consumer.

This enthusiasm arises from promised access to a market of 300 million consumers, compared with 56 million in Britain alone and only 105 million in Britain's present trade grouping, the European Free Trade Association.

Equally important, the expanded market is, in the words of one London banker, "beyond the capacity of successive British governments to foul up." Businessmen can thus plan beyond this country's snail-paced 2 percent growth.

In commenting on the deal that Britain wrapped up in Luxembourg, the giant Confederation of British Industry said, "At first sight the terms seem reasonable and in line with hopeful expectations."

Geoffrey Rippon, who negotiated the terms in Luxembourg, told the annual conference of the Commonwealth Press Union that they had been made possible because of the close identity of views that Britain and the Common Market nations held not only about the future of Europe but about the role of Europe in the world.

Sour Note

One of the few sour notes in the ranks of big business has been sounded by Sir John Hunter, head of Britain's big Swan-Hunter shipbuilding group.

"Entry into Europe must involve acceptance of the agriculture policy," he said, "which will push up prices and must therefore push up shipbuilding prices through higher costs. Shipbuilding has no great additional market to gain—the world is already our market."

However, Courtaulds, a major synthetic-fibers producer, said it looked for "increased prosperity."

Spokesmen for the electronics and aerospace industries said they looked to greater cooperative ventures for long-term viability. British Leyland, Britain's biggest automobile producer, has been publishing full-page newspaper advertisements to proclaim its enthusiasm for entry. The smaller businessman, however, is more guarded.

Two of the biggest nationalized companies, the National Coal Board and the British Steel Corporation, both dwarfing their European competitors, have both expressed pleasure at the access to Europe. There had been some suggestions in the negotiations that Britain should limit their size or operations, but these suggestions were later abandoned by the six Common Market countries—Belgium, France, Italy, Luxembourg, the Netherlands and West Germany.

The Terms

The terms of British entry encompass a host of details affecting business in this country. The most important cover industrial tariffs and tariff exceptions.

The agreement on tariffs is that Britain and the Common Market countries will make five successive 20 percent cuts in industrial tariffs on trade with each other beginning on April 1, 1973. The cut to zero is to be made on July 1, 1977. However, businessmen say the levels left after three years will be negligible.

The first step toward a common external tariff will be a 40-percent alignment to EEC levels at the beginning of 1974 and the subsequent pace will follow that of the internal tariff changes.

Most British tariffs will fall since the EEC median tariff, after final cuts under the Kennedy Round are completed next year, will be slightly lower than Britain's.

Tariff exceptions have been negotiated for 12 industrial raw materials plus tea to continue Britain's easy access to these materials from outside sources. They are alumina, aluminum, ferro-chrome, ferro-silicone, lead, newsprint, phosphorus, plywood, silicon-carbon, wattle extract (for dyeing shoes), wood pulp and zinc.

THE *Financial* CITY OF LONDON

(Continued from Page 9)

been slow in experimenting with instruments that promise to make the Eurocurrency business flow more smoothly. Changes in world interest rates, for instance, have tended to discourage fixed-rate borrowing or lending, for short periods of around five years. So the roll-over credit has been popularized, in which rates are adjusted every six months. The market for short roll-over credit is greater now than for fixed loans.

Bond Rate Floats

On the bond market, Banker's Trust and Warburgs have devised the floating bond rate, in which a long term issue of around ten years has a six-monthly adjustment. This avoids the problem that in buying a long-term Eurobond you either gamble that the fixed rate of interest will still look good on maturity or face the difficulty that a totally flexible rate may deter buyers. At the other end of the time scale some London merchant banks have been experimenting with Euro Commercial Paper, which is for short-term finance of between three to six months. The banks act as an intermediary, do all the credit rating work and arrange the placing of the paper with a client.

The net effect of all these changes is to gradually eliminate various technical distinctions and create an international money market in which one can raise finance of practically any size for virtually any period. It is the conscious recognition that this is what future clients are going to want that keeps the City in the forefront.

Nor is it just on the pure money markets that London's adaptability creates business. The merchant banks have realized that international corporations seek a total financial service, causing a trend toward financial conglomerates. Merchant banks have become active in a wide range of areas, including insurance and property, although with extremely varied results.

London has retained its world leadership in insurance partly for historical reasons but mainly by responding to new risk situations. Lloyd's, for example, insured the first oil rig ten years ago, and although the Americans tried to obtain some of this business, they burned their fingers badly. Most cover for the world's giant tankers goes through Lloyd's and all the ratings for the jumbo jets are done in London.

Makers Insured

"Products liability," to cover a manufacturer against his product causing an accident, was first supplied a few years ago by the London insurance market—returning astronauts thus have the dubious satisfaction of knowing that should their re-entry parachute fail, the makers are covered at Lloyd's. Package deals, in which a major firm like Shell gets cover for all its particular requirements in one contract, have also been created and are becoming increasingly popular.

The commodity and stock exchanges tend to play a relatively minor role on the international scene, although the former has created successful new markets such as soya beans and cotton, while the latter handles more foreign securities than any other single exchange. And despite Britain's relative decline as a shipping nation, the Baltic exchange continues to grab more than its fair share of business, mainly because it is established and extremely efficient.

Perhaps the least qualifiable aspect of London's primacy is the casual way the whole system works. Not only are there less restrictions than in many other centers but those that do exist are either generally agreed to be realistic or are self-imposed.

Making large deals purely on a verbal commitment is possible because the City is such a tightly knit community. It would be commercial suicide to break the principle of "my word is my bond" and everyone knows it. The absence of a plethora of regulations makes those who work in the City accept that the profit motive is linked to personal responsibility.

The resulting freedom permits London to be fast on its feet. Banking, taxation and insurance laws all tend to stimulate or at least not to deter experimentation. For example, the *Bank of England*, while rigidly supervising sterling deals, allows natural forces to control the non-sterling markets; or in insurance, lack of tight control makes it easier to adjust rates and innovate than in most countries.

With such informality, the need to rely on self-imposed discipline is obviously paramount. The formation of the Take Over panel, which has gained universal respect, is a prime example of government from within. It certainly forestalled possible state action to impose the equivalent of America's Securities and Exchange Commission.

The recent failure of Vehicle and General directly affected the company's international reinsurance subsidiary, World Auxiliary, and thus threatened the good name of London as the leading insurance center. After much heart-searching, Commercial Union helped save World Auxiliary, although not V and G, and the affair still rumbles on as pressure increases to force the insurance community to rethink how it guards customers' interests. Ultimately, some self-governing mechanism is almost bound to emerge.

The Future

The very success of London as a financial center tends to obscure the less happy fact that in relative terms it is losing out. True, the City's invisible earnings have more than trebled from £150 million (then worth $420 million) in 1965 to £480 million ($1.152 billion) in 1969, the last available figure. But other centers have been taking a growing slice of the still expanding cake.

London's loss reflects the increased abilities of other countries. Britain's share of world invisible receipts fell from 20 percent in the 1950s to only 12 percent in 1967. Within this broad category of invisibles the main growth section is one which the International Monetary Fund labels "miscellaneous" and includes most of the earnings produced by the City. Back in 1952, Britain had a clear lead in this section, but by 1967 (the last available figure) it was down to third place with Italy coming up fast. The British share has plummeted from 27 percent to 13 percent.

Apart from the growing abilities of the City's competitors, other reasons are often suggested for the decline. Mr. Davison of Morgan Guaranty argues that the City is "beginning to show a little arteriosclerosis" and as proof points to the high cost of real estate and skilled bankers and the decision by some leading banks to move certain operations out of the City.

Despite these undisputed facts, London as a financial center still dominates the international scene and although its share of invisibles may decline further, its attraction is unlikely to diminish.

Certainly, the City will have to handle massive rises in the volume of international business over the next 20 years and must be prepared to promote the formation of large banking groups and syndicates covering major countries. It will also need to cope with the ever-growing emphasis on size in virtually every area of its activities.

Already, one of the more obvious and immediate pressures to get bigger fast loomed up only last week with the virtual completion of British entry terms to the Common Market.

The real threats are the more obvious ones facing every financial center: The deterioration of money, and possible government restrictions. At the moment, international money markets are in more chaos than when sterling used to dominate and with inflation a world problem the future hardly seems reassuring. As for regulations, there has been no move yet by central banks to control the Eurocurrency market, but its relative freedom makes it a tempting target.

Finally, there is the danger that a British government may try to impose further regulations on the City's affairs. The continuing dissatisfaction over the collapse of V and G has forced the creation of a special tribunal to investigate and this is just the kind of situation that could provoke legislation to the eventual detriment of London's insurance role. As Sir George Bolton, a leading City figure and chairman of the Bank of London and South America, warns about restrictions in general, "We can destroy ourselves without any difficulty at all."

Andrew Leigh, the author of this article, is a business and financial writer for the London Observer.

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post

PARIS, MONDAY, JUNE 28, 1971

Eurobonds

DM Freeze Is Due to End, But No Big Pick Up Seen

By Carl Gewirtz

PARIS, June 27 (IHT).—The month-long freeze on new issue activity in deutsche mark denominated bonds is due to end this week, but few bankers see any sudden rush of activity in that sector of the Eurobond market.

The prevailing opinion appears to be that the West German Central Capital Market Committee will ease the ban even though there has been no basic change in the circumstances that led to its imposition—the freeing of the DM from its fixed parity.

German bankers cite two factors favoring resumption: If the market is shut for too long, it may simply break down, and that conditions have not improved—meaning that they may simply have to accept the fact of higher interest rates (8 to 8 1/4 percent for foreign borrowers, up from 7 3/4-8 percent prevailing before the closure).

The weakness of the DM bonds on the secondary market, cited at the time of the shutdown as evidence that the market was "very congested"—and that rates were being pressured upward—shows little improvement.

Among the most recent DM bonds, Comalco and Saab are down to 97 5/8 from an issue price of 99, South African Iron & Steel Corp. is off 2 at 96 and Kansai Electric, priced at par, is quoted at 99 7/8.

Bankers report that strong pressure from domestic borrowers will probably force open that side of the market. The freeze on foreign borrowers will either be prolonged or the volume so tightly limited, they say, that it will in effect remain closed.

Meanwhile, the dollar end of the market continues at its torpid pace with one new issue—a convertible—announced last week. Coming on the heels of the equity-linked Alusuisse issue—generally acclaimed to have been a success and trading just over the issue price of par at week's end—is the $25 million offering from Borden Overseas Capital. The 20-year bonds are expected to carry a coupon of 6 3/4 percent and a 10 percent conversion premium into Borden common stock. The terms will be fixed July 1.

The final terms on the 7 percent Alusuisse issue made its warrants exercisable into 1.5 shares of Swiss Aluminium Ltd. bearer shares at $560 a share starting Aug. 1 and good through Sept. 30, 1975. The pricing represented an 8.6 percent discount from the closing price of the stock.

Still on offer is the 12 million Unit of Account issue from Sté. de Développement Régional. The 15-year, 8 percent bond is to be priced Tuesday.

In the continuing drive to exploit the unique state of the market and carve a bigger niche for its part of the non-dollar end of the market, Kredietbank Luxembourgeoise has announced the first private placement of notes denominated in Luxembourg francs—an attempt to fill the void left by the temporary closing of the foreign guilder market.

The 500 million francs ($10 million) of 7-year notes for Eurofima, a consortium of European railroads, will carry a 7.5 percent coupon and will be priced at 99 1/2.

For those who like record-keeping, based on Kredietbank data:

- Eurobond activity in the second quarter totaled the equivalent of $689.4 million—well below the previous quarter's $1.346 billion. The year-ago quarter's total was $651.5 million.
- In the latest quarter, 51.5 percent of the bonds were denominated in dollars (down from 75.7 percent in the first quarter), 31 percent were in DM (17.3 percent previously) and 8.7 percent for UA and European Currency Units each.
- European borrowers accounted for 46 percent of the activity, Americans 33 percent and Japanese 4 percent. The remaining borrowers were from New Zealand, Australia and South Africa—some 17 percent.

Economic Indicators

WEEKLY COMPARISONS

	Latest Week June 20	Prior Week June 13	1970 June 21
Commodity Index	108.9	107.8	111.4
*Currency in circ.		$53,076,000	$54,172,000
*Total loans	$84,968,000	$83,818,000	$81,874,000
Steel prod (tons)	2,748,000	2,737,080	2,644,008
Auto production	175,885	184,003	183,535
Daily oil prod (bbls)	9,757,000	9,752,000	9,503,000
Freight car loadings	526,564	533,552	563,608
*Elec Pwr. kw-hr.	32,835,000	32,251,000	30,957,000
Business failures	195	193	220

Statistics for commercial-agricultural loans, carloadings, steel, oil, electric power and business failures are for the preceding week and latest available.

MONTHLY COMPARISONS

	†May	Prior Month	1970
Employed	78,961,000	78,698,000	78,357,000
Unemployed	5,217,000	5,085,000	3,384,000
	†April	Prior Month	1970
Industrial production	166.0	165.5	170.4
*Personal income	$836,300,000	$830,400,000	$777,600,000
Consmr's Price Index	120.2	119.8	134.0
*Money supply	$221,200,000	$219,400,000	$203,300,000
Constructn contracts	161	142	203
*Mfrs. inventories	$99,542,000	$99,418,000	$97,604,000
*Exports	$3,543,109	$3,814,600	$3,449,700
*Imports	$3,757,808	$3,569,200	$3,247,500

*000 omitted †Figures subject to revision by source.

Commodity index, based on 1957-59=100 and the consumers price index, based on 1967=100, are compiled by the Bureau of Labor Statistics. Industrial production is Federal Reserve Board's adjusted index of 1957-59=100. Imports and exports as well as employment are compiled by the Bureau of Census of the Department of Commerce. Money supply is total currency outside banks and demand deposits adjusted as reported by Federal Reserve Board. Business failures compiled by Dun & Bradstreet, Inc. Construction contracts are compiled by the F. W. Dodge Division, McGraw-Hill Information Systems Company.

Economic Malaise in U.S. Is Trying Patience Of Some Analysts as Inflation Accelerates

By Thomas E. Mullaney

NEW YORK, June 27 (NYT).—The malaise that has been developing over the state of the economy seemed to broaden last week in the financial markets, in business circles, among the public and even in Washington.

While the inclination to stand patient a bit longer remains widespread, an increasing segment of the populace is becoming impatient, dissatisfied with the official view that everything will turn out all right before long.

Except for continued strength in retail sales and a spurt in electric-power production, the month of June has not been overly exuberant in the economic sense. Although the economy is still rising, the strong momentum of May has been somewhat dissipated.

More and more, economists and other astute observers of business are concluding that some imaginative initiatives by Washington are imperative to pull the nation out of its economic quicksand.

A sturdy new lifeline will have to be extended quickly before the United States is gripped by twin pincers of accelerating inflation and unemployment, a situation from which it would be exceedingly difficult to extricate itself for perhaps several years.

Uncertainty now characterizes both the business world and the investing community.

The best rescue effort seems to be a new economic game plan, combining fresh fiscal stimulus with a meaningful "incomes policy" that would first halt—and then ease—the unrelenting tug of inflationary pressures and expectations.

Without question, the nation has staged a comeback from the 13-month recession of 1969-70 that resulted from the restrictive monetary and fiscal actions taken at the start of the Nixon administration to damp down demand-pull inflation. But the recovery, like the slowdown, has been unusually mild, and promises to remain so.

In the process, inflation at first receded—briefly—but it has flared up again and threatens to become more severe. Witness the sharp jump in consumer prices last month—7.2 percent at an annual rate. The economic contraction obviously has not achieved any significant reduction in cost-push inflation.

More worrisome perhaps is that the highly stimulative monetary and fiscal policies of the last year and a half have failed to stem rising joblessness, now running above 6 percent.

Additional stimulation is patently needed, but, to prevent an accompanying ignition on the inflation front, it will have to be linked with a resolute effort to control an inevitable fresh surge of wage and price increases.

The bond market endured an erratic, disconcerting week. Encouraged by the successful sale of new issues the week before, bond dealers hoped to see the better tone continued, but investors did not accommodate them very well.

Last Monday, the Michigan Bell Telephone Co. offered $150 million of AAA-rated debentures at a yield of 7.80 percent—40 basis points lower than the yield on the preceding Bell system issue. The rate decrease was apparently too much for investors to swallow, however, and by late last Thursday afternoon, at least half of the bonds remained unsold.

In the tax-exempt bond market, California marketed a $100 million issue of bonds last Tuesday that underwriters priced to yield, tax-free, from 3.40 percent on those maturing in 1972 up to 6.30 percent on those coming due in 1991. That scale was 15 or 20 basis points higher than the yields put on a similarly rated Wisconsin bond issue that was offered late in the preceding week.

Despite the increased yields, the California bonds sold slowly, causing dealers to cut prices somewhat. Even so, almost half remained unsold at the end of the week.

One factor that adversely affected the bond market early last week was the government's report that the consumer price index had risen six-tenths of 1 percent during May, its biggest jump in 15 months. The increase was large enough to chill the enthusiasm of investors for fixed-income securities.

New Worry

Another source of worry for the bond market appeared last Thursday when the Federal Reserve Bank of New York reported another sizable increase in the growth of the money supply, strongly implying that little, if any, progress will be made in the months ahead to stem inflation.

Nevertheless, late last week, the bond market turned somewhat

(Continued on Page 21, Col. 5)

Amex and Over-Counter

NEW YORK, June 27 (NYT).—The summer doldrums prematurely struck both the American Stock Exchange and the over-the-counter market last week as volume slackened and prices moved fractionally lower.

Few issues managed to move a point in either direction and these were spurred by major corporate developments. Outside political and economic forces had little influence.

Declines outnumbered advances by 756 to 329. Only 12 stocks made new highs while 180 issues posted new lows during the week.

Volume totaled 15,887,000 shares against 17,225,000 in the preceding week. There were 45 blocks traded compared with 38 in the preceding week.

The most actively traded issue was Loew's Theatre warrants, which advanced 7/8 to 25 1/2 following the announcement of a 91 percent advance in the profits for the May quarter.

Creole Petroleum fell 4 1/2 to 24 3/8 on indications that the Venezuelan government may be ready to pass a bill that will place heavy restrictions on the oil concessions in that country.

The over-the-counter market was enlivened to some extent by the commencement of trading in the stock of Merrill Lynch, Pierce, Fenner & Smith, the world's largest brokerage house. The stock was offered to the public at 28 and closed the week at 37 3/4 bid -38 1/4 asked.

The NASD index fell 1.92 to 109.25.

Over-Counter Market

NEW YORK (AP)—Weekly Over the Counter Industrials giving the high, low and last bid prices for the week with the net change from the previous week's last bid prices. All quotations supplied by the National Association of Securities Dealers Inc., are not actual transactions but are representative interdealer prices at which these securities could have been sold. Prices do not include retail markup, markdown or commission.

	High	Low	Last	Net Ch'ge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Bond Sales on the New York Stock Exchange

Domestic Bonds

Foreign Bonds

Insurance Stocks

International Bonds

(A weekly list of non-dollar denominated issues.)

N.Y. Stock Exchange

Week Ended June 26, 1971

American Exchange

Week Ended June 26, 1971

	Sales	High	Low	Close	Chg.
Loews T wt.	340,300	20½	23⅝	29½	+ ⅛
McCull Oil	240,800	27⅞	24	24⅝	—1⅞
Syntex	228,800	67⅞	62⅞	65	+1⅛
Asamera O.	204,200	19½	17⅛	18	—1⅝

Volume: 15,957,520 shares.

Year to date: 602,829,060 shares.

Issues traded in: 1,239.

Advances: 329; declines: 756; unchanged: 154.

New '71 highs: 13; lows: 180.

Treasury Bills

Due	Bid	Asked	Yield
June 30	5.18	4.38	4.41
July 1	4.82	4.12	3.18
July 8	7.73	4.20	3.28
July 15	4.70	4.20	3.27
July 22	4.72	4.27	3.34
July 29	4.74	4.20	3.38
July 31	4.89	4.37	3.44
Aug. 5	4.72	4.45	3.58
Aug. 12	4.74	4.47	3.86
Aug. 19	4.77	4.52	3.61
Aug. 26	4.79	4.60	3.61
Aug. 31	4.79	4.53	3.59
Sept. 2	4.85	4.70	3.03
Sept. 9	4.85	4.72	2.80
Sept. 16	4.83	4.79	3.83
Sept. 23	4.86	4.80	3.34
Sept. 30	4.85	4.72	4.85
Oct. 7	4.89	4.65	4.78
Oct. 14	4.89	4.65	4.73
Oct. 21	4.88	4.65	4.79
Oct. 28	4.89	4.65	4.79
Oct. 31	4.86	4.61	4.75
Nov. 4	4.90	4.69	4.84
Nov. 11	4.90	4.69	4.84
Nov. 18	4.90	4.69	4.85
Nov. 26	4.90	4.69	4.85
Nov. 30	4.90	4.65	4.74
Dec. 2	4.97	4.81	4.98
Dec. 9	4.99	4.83	5.00
Dec. 16	5.00	4.87	5.05
Dec. 23	5.10	5.01	5.23
Dec. 31	5.03	4.81	5.09
Jan. 31, '72	0.34	5.73	5.36
Feb. 29	5.49	5.28	5.64
March 31	5.57	5.50	6.64
April 30	5.58	5.41	5.70
May 31	5.65	5.54	5.86
June 30	5.67	5.59	5.94
Bond '92-'87, 4¼s	74.20	75.20	6.36
Bond '93-'88, 4s	72.18	73.18	3.24

Market Averages

Week Ended June 26, 1971

Dow Jones

	High	Low	Last	Chg.
30 Indust.	890.48	865.31	876.68	—12.48
20 Transp.	214.43	208.25	216.33	— 2.44
15 Utils	115.61	111.92	114.78	+ 0.35

Bank Stock Quotations

Closing prices of the week's trading

Economic Malaise Is Trying Patience of Some Observers

(Continued from Page 20.)

steadier. While it might prove to be temporary, this stability, in view of the sharp rise in consumer prices and the money supply, was impressive.

With that same news in the background, raising the specter of further inflation, the atmosphere for the stock market was hardly inspiring either. Stock prices reacted at first, but then moved narrowly last week as trading slowed markedly.

Other disappointing news last week included the report that auto sales in mid-June had fallen 18.3 percent from a year ago and the word that total retail sales for the latest week had shown a gain of only 5 percent —well below the recent trend and just about in line with the level of price increases.

On the positive side were the estimate that construction spending this year would show a gain of 13 percent, instead of the 9 percent projected earlier; the Treasury decision to go ahead with new rules on depreciation allowing business 20 percent faster write-offs of equipment, and greater confidence in labor and management circles that a steel strike might be averted.

After a sizable loss last Monday, extending the sharp decline of the preceding week, the stock market turned cautious and moved narrowly for the rest of the week. It closed generally lower, with a moderate decline in the leading stock averages, in slightly slower trading.

The market dipped to a four-month low last week and ended in that area.

The Dow Jones industrial index fell 12.48 points to 876.68; The New York Times combined average lost 8.23 to 518.98; the Standard & Poor's 500-stock index yielded 0.98 to 97.99, and the New York Stock Exchange composite was down 0.53 to 54.10.

Stocks that lost ground last week outnumbered those that gained, 1,060 to 596. There were 163 issues that finished with no net change.

Volume on the stock exchange last week contracted to 66.2 million shares from 68.4 million the week before.

PEANUTS

B.C.

L'IL ABNER

BEETLE BAILEY

MISS PEACH

BUZ SAWYER

WIZARD of ID

REX MORGAN, M.D.

POGO

RIP KIRBY

BLONDIE

BRIDGE

By Alan Truscott

The Precision international team ended its recent world tour on a victorious note by defeating a local team in Rome.

In a series of 13 matches that began in Taipei and stretched through much of Asia and part of Africa, the touring group of Benito Garozzo, Giorgio Belladonna, both of Rome, and Katherine Wei, Dorothy Hayden and this writer, all of New York, was defeated only once, by a young Tel Aviv team.

The diagramed deal from the Rome match was played in the last session and proved decisive.

Six clubs is an excellent contract for North and South, but is not easy to reach. In the Precision auction shown, South opened one club, a strong bid, and North made a natural positive response of two clubs. The two no-trump rebid was a waiting move, and, when North showed a secondary spade suit, South judged that slam prospects in clubs must be good. This was one of the rare situations in which it is appropriate for a player with a balanced hand to use Blackwood.

Because of the artifical opening bid, Mrs. Hayden became the declarer with the South hand. After a heart lead, she played diamonds in the hope that the fall of the king in the first three rounds of the suit would make a spade finesse unnecessary.

The second heart entry to the closed hand was used for the second diamond ruff, and a club was led from dummy. East ducked, the club king won and yet another diamond was ruffed with the club jack.

East refused to overruff, and was end-played when the club queen was led from dummy. However, it would have been easy for East to avoid the end-play if he had held the spade queen.

On Vu-Graph, North-South failed surprisingly to reach game. Garozzo as East opened with two hearts, a semi-psychic weak two-bid in third position. South doubled, West redoubled and North's bid of three clubs ended the auction.

NORTH
♠ A J 7 2
♡ 6 5
◇ J
♣ Q J 8 7 4 3

WEST (D)
♠ Q 9 4
♡ J 10 7 2
◇ K 9 7 2
♣ 9 5

EAST
♠ 10 8 3
♡ Q 9 8 4 3
◇ 8 6 4
♣ A 2

SOUTH
♠ K 6 5
♡ A K
◇ A Q 10 5 3
♣ K 10 6

Neither side was vulnerable. The bidding:

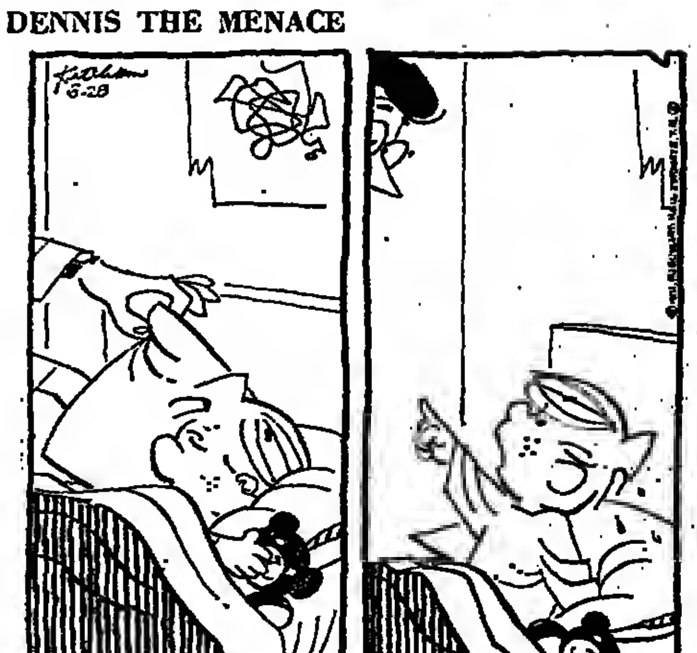
West	North	East	South
Pass	Pass	Pass	1 ♣
Pass	2 ♣	Pass	2 N.T.
Pass	3 ♠	Pass	4 N.T.
Pass	5 ◇	Pass	6 ♣
Pass	Pass	Pass	

West led the heart jack.

Solution to Friday's Puzzle

S	A	S	H	■	U	S	E	D	■	C	O	W	L	■
P	I	C	A	■	N	O	D	E	■	A	C	H	U	A
A	R	A	L	■	T	H	E	M	A	R	T	I	N	S
S	Y	N	C	H	R	O	N	I	Z	E	■	T	A	P
■	■	■	Y	O	U	■	■	■	O	F	F	E	R	S
C	A	P	O	T	E	S	■	B	R	O	I	L	■	■
A	R	U	N	■	■	A	L	L	E	R	G	I	S	T
S	U	R	D	■	T	R	I	E	S	■	A	N	N	O
E	M	P	A	T	H	I	Z	E	■	■	R	E	E	L
■	■	L	Y	R	E	S	■	D	E	P	O	S	E	D
S	E	E	S	A	W	■	■	■	N	O	S	■	■	■
E	L	S	■	D	E	N	U	N	C	I	A	T	O	R
P	L	A	N	E	T	A	R	I	A	■	U	R	G	E
T	I	G	E	R	■	S	A	C	S	■	C	O	R	E
■	S	E	T	S	■	A	L	E	E	■	E	Y	E	D

DENNIS THE MENACE



"HEY, PUT THAT BACK! YOU'RE NOT THE TOOTH FAIRY!"

JUMBLE — that scrambled word game

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

FAHFC

GEESI

YEMILT

CLISHE

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print the SURPRISE ANSWER here A

(Answers tomorrow)

Saturday's Jumbles: CRACK WOVEN MAGPIE LIKELY
Answer: What bridge might be for an expert—A "WALKOVER"

BOOKS

ST. URBAIN'S HORSEMAN

By Mordecai Richler. Alfred A. Knopf. 467 pp. $7.95.

Reviewed by Jonathan Yardley

WHAT a rich pleasure this novel is. To put untidy matters promptly aside, it lingers too long—though the reader will not likely object—and it sags in the middle, but more than a few of the best novels are guilty of both. "St. Urbain's Horseman" has virtues one counts and cherishes: its humor, whether tart or tender, is splendid; all its characters, so unlike those in most contemporary comic novels, are real and rendered with the deepest compassion; its prose moves with grace from elegance to slang; and its grasp of truth is absolutely secure.

Jake Hersh, like Mordecai Richler, himself a Canadian, is a *television and film director* living in London and struggling against that awful time in life when possibilities suddenly close and a dire intimation of finality sets in. Thirty-seven, blessed with a "felicitous marriage" and three young children, amply rewarded for labors the essential shoddiness of which incessantly nags at him, he is beset not only by the terrible knowledge—and it *is* terrible—that he will never make the masterpieces he once thought within his grasp, but also by that strange modern malaise, that frustrated disengagement from the moil of the world:

"Young too late, old too soon was, as Jake had come to understand it, the plaintive story of his *American* generation. Conceived in the depression, but never to taste its bitterness first-hand, they had actually contrived to sail through the Spanish Civil War, World War II, the *holocaust*, Hiroshima, the Israeli War of Independence, McCarthyism, Korea, and, latterly, Vietnam and the drug culture, with impunity. Always the wrong age. Ever observers, never participants. The whirlwind elsewhere."

His sense of removal heightened by *his Jewishness*, by his painful awareness that others *have suffered grievously* while he luxuriates, Jake indulges himself in *desperate furtive attempts* to become *engagé*. He befriends a vile little Cockney named Harry Stein who leads him into a bizarre *sexual adventure around* which the novel is loosely strung. At breakfast reading the newspaper, he agonizes over the *world's ingenious variety of woes*. And he plunges himself into a *fantasy centered on his cousin* Joey, an older alumnus of St. Urbain's Street in Montreal, whom he envisions "cantering on a magnificent Pleven stallion," riding the world over in search of fled Nazis and other malefactors, "turning up wherever a defender is needed"—"a sort of Jewish Batman."

To one of Jake Hersh's generation, traveling with him on his *journey to accommodation is* an exercise in self-discovery. Mordecai Richler *has caught*, with much the accuracy of Renata *Adler's brilliant introduction to* "Toward a Radical Middle," our generation's *uneasy* sense that it is left out of the swim, yet possesses and *remains faithful* to the most important truths. Richler describes Jake in a passage that aches with honesty:

"When it wasn't the children's safety, death, or the Germans' second coming that plagued him, it was the fact that he felt his generation was unjustly squeezed between two raging and carnivorous ones. The old establishment and the young hipsters... Unwillingly, without *justice*, they had been cast in Kerensky's role. *Neither as obscene* as the czar, nor as bloodthirsty as Lenin. Even as Jews, they did not fit a mythology. Not having gone like sheep to the slaughterhouse, but also too fastidious to punish Arab villages with napalm. What Jake stood for would not fire the countryside: decency, tolerance, honor. With E. M. Forster, he wearily offered two cheers for democracy. After George Orwell, he was for a closer look at anybody's panacea.

"Jake was a liberal."

Richler is, then, much in tune with that small but, one hopes, growing number of novelists—Saul Bellow and Walker Percy in particular—whose despair over modern society is matched by their passionate conviction that little is offered either by those who are running it or those who noisily advocate its upheaval. One comes to realize in "St. Urbain's Horseman," as in Percy's "Love in the Ruins," that the contemporary liberal is in large measure a conservative—that his desire for social change is balanced by a mounting apprehension that the most essential traditional values are being undermined and ultimately will be abandoned.

But "St. Urbain's Horseman" is scarcely a cheerless book. To the contrary, its satire is deft and delightful: the trendy London *world, failed middle-aged* marriages, Jewish family ritual, the whimsical workings of the law, hustlers in business and *communications*, and a Jewish mother at whom even Sophie Portnoy might cringe—all are depicted devastatingly, yet engagingly. The stuff of life, the joy and terror alike, surges *through* "St. Urbain's Horseman." It is a book for which I have the greatest admiration and affection.

Mr. Yardley is book editor of The Greensboro, N.C., Daily News. He wrote this review for The New York Times Book Review.

Theft Shuts German Art Exhibit in Italy

ROME, June 27 (AP).—A bronze sculpture by Berlin's Joachim Schmettau has been stolen from an exhibition of German art here, the German Academy of Rome, announced today.

The silver-plated bronze, entitled "Head of Mrs. Schmitt," provided the main piece on show in the one-month-old exhibition of painting and sculpture in the Villa Massimo palace where the academy is located.

Because of the theft, organizers ordered the exhibition closed.

CROSSWORD

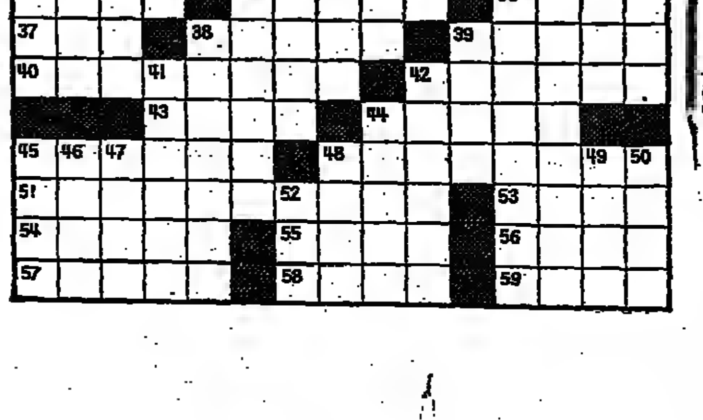
By Will Weng

ACROSS

1 U.S. Senator
5 Trudge
9 Napoleon's Grande ——
14 Unctuous
15 Of flying
16 Harbor to remember
17 Cheese
18 Samoan seaport: Var.
20 Apostate
22 Wrestling hold
23 Corrodes
24 Fuel
25 L.B.J. aide
27 Niagara Falls visitor
31 Dentist's concern
32 Marner
33 French donkey
34 Phone
35 Malicious
36 Scheme
37 Suffix for poly or penta
38 Sky animal
39 Pleasant
40 Like some invitations
42 Caravansaries
43 Hebrew measure
44 Often-drawn object
45 Bathe
48 No game scheduled
51 Barrie's land
53 Holm oak
54 Spenser's isle
55 Path
56 Mirth
57 Certain code
58 Actor Ray
59 Planet

DOWN

1 Smuts, for one
2 Staff member
3 Perfume-yielding tree
4 Marriage song
5 Banana-like fruit
6 Plays the first card
7 Caen's river
8 Chihuahua
9 Supreme Court's agenda
10 Landed assets
11 Fortifies
12 Hence
13 N. C. college
19 Some streets
21 Steel city
24 Skins
25 Gnat's relative
26 Cocktail additive
27 Lustrous
28 Western city
29 As a friend, in Amiens
30 French saint
32 More rational
35 Troglodyte's pad
36 Model
38 Of a judge's sanctum
39 European capital
41 Ivanhoe lady
42 Recording system
44 Use up
45 Whippersnapper
46 Roll-call response
47 Baker
48 Elliptical
49 Mix colors
50 Certain spouses
52 Top of the gamut



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Liquori Takes Mile in 3:56.5

Smith Sets Record in 440, Meriwether Wins AAU 100

By Neil Amdur

EUGENE, Ore., June 27 (NYT).—John Smith woke up this morning and told Wayne Collett, his roommate, college teammate and track rival, that it was time for a world record in the 440-yard dash.

"One of us is going to get it, but I didn't know who," the 20-year-old Smith said.

Smith got it, 44.5 seconds, to highlight another series of outstanding performances at the 83d annual national Amateur Athletic Union championships.

Yesterday's final session, run in periods of sun and rain, also produced Marty Liquori's fifth sub-4-minute mile of the year, a glorious 3 minutes 56.5 seconds, and an American record in the 3,000-meter steeplechase by Sid Sink.

On Friday, Dr. Delano Meriwether achieved his impossible dream, Rod Milburn broke the latest world record in track and field, and Steve Prefontaine shattered 13 minutes in the three-mile.

Friday was one of the most memorable afternoons in American track and field, and it came on a hot, fast track, under perfect conditions, before a crowd of 12,000 that understood its significance and roared continuous approval.

Victory for Fantasy

The most unbelievable performance came from Dr. Meriwether, the 28-year-old Baltimore hematologist, who capped one of the most remarkable sagas in the sport by winning the 100-yard dash over a field that included Ivory Green, Charlie Greene, Jerry Crockett and Don Quarrie.

Surviving a grueling series of heats, Meriwether edged Green, the Kentucky standout, by four inches in a furious duel over the last ten yards that required 15 minutes of deliberation by the judges.

Meriwether's time was equal to the fastest ever run, 9 seconds. The nine-mile-an-hour aiding wind would rule out any world record consideration, but it cannot dismiss the magnificence of the achievement for an athlete who, until last year, had never set foot on a track and who, earlier this year, still had not learned the fundamentals of sprinting.

Meriwether's feat could not dim the excellence of Milburn's world record performance in the 120-yard high hurdles, one of the finest technical efforts since Bob Beamon's 29-foot long jump at the 1968 Olympics.

Milburn, a 21-year-old sophomore at Southern University in Baton Rouge, La., ran 13 seconds during a semifinal heat, two-tenths of a second under the world standard first set 12 years ago and equaled five times since.

An allowable 4.35-mile-an-hour wind (.11 under the international limit) aided Milburn in his flawless trek. Milburn returned and outran Ron Draper and Willie Davenport in the final. His victorious 0:13.1 time also broke the previous standard but was wind-aided.

Ironically, it was Davenport, the Olympic champion, who tutored Milburn during his early years of hurdling and who predicted two years ago that Milburn "would be the next great hurdler."

The meet was the latest indication of the depth of United States track and field, as it prepares for the Pan-American games July 30 through Aug. 13 in Cali, Colombia. The top two finishers in each event qualified for the United States Pan-Am team.

Yesterday, Sink, the national collegiate champion from Bowling Green, equaled the eighth fastest time ever for the steeplechase. The mustachioed senior, 22, from Manchester, Conn., passed Mike Manley, the hometown favorite, in the final 70 yards and recorded a nine-yard victory in 8:26.4.

Liquori, the 21-year-old Villanova senior competing for the New York Athletic Club, joined Smith, Sink, Ralph Mann, the intermediate hurdler, and Karl Salb, the shotputter, as NCAA-AAU champions.

Running through a steady rain yesterday, which began falling ten minutes before the mile, Liquori unleashed a 54.2-second final 440 that insured a ten-yard victory over Jim Crawford.

Liquori's closing kick, however, helped Crawford to a career best, 3:57.7.

The wet weather hindered most of the field event performances at the University of Oregon track.

"I thought when I got up this morning that I was going to throw 275 feet or 280 today," said Bill Skinner, the mustachioed Tennessee javelin thrower, who represented the New York Athletic Club. The 6-foot-6-1/2-inch, 230-pound Skinner settled for a championship toss of 267-2.

Randy Matson, the Olympic champion, also was affected by the rain, which started after competition had begun in the shotput.

"I guess I let it bother me too much," said the rangy Texan, normally unbeatable and imperturbable in his specialty, but second yesterday to Salb, who won with a put of 67-3-3/4.

Smith, a junior at the University of California, Los Angeles, was the surprise champion at last year's meet with a close victory over Lee Evans, his idol and the Olympic 400-meter gold medalist.

Evans was forced to withdraw from the 440 Friday with cramps.

Running in lane 2 in the final, Smith allowed Collett, in lane 7, to set the early pace before driving past him in the stretch and sustaining his kick for a two-yard victory.

Liquori had hoped for a rematch with Jim Ryun in this meet. Ryun, the world recordholder in the mile, and his family were among the capacity crowd of 12,000 that watched the Cedar Grove, N.J., Olympian raise his unbeaten record this year to ten.

TRACK EVENTS

120-Yard High Hurdles — 1. Rod Milburn, Southern U., 0:13.1 (betters listed world record but disallowed because of excessive aiding wind; in his semifinal Milburn ran 0:13, a world record; previous record 0:13.2); 2. Ron Draper, Chicago C.C., 0:13.3; 3. Willie Davenport, Texas Striders, 0:13.4; 4. Lance Babb, California International C.C., 0:13.4.

100-Yard Dash — 1. Dr. Delano Meriwether, Baltimore O.C., 0:09 (betters listed world record but unacceptable as a record because of excessive aiding wind); 2. Jim Green, Philadelphia Pioneer Club, 0:09.1; 3. Don Quarrie, Southern California Striders, 0:09.1; 4. Charles Greene, U.S. Army, 0:09.1.

Three-Mile Run — 1. Steve Prefontaine, Oregon T.C., 12:58.6 (meet record; previous record 13:10.4, by Bob Schul, Ohio A.C., 1965); 2. Frank Shorter, Florida T.C., 13:02.3; 4. Gerry Lindgren, unattached Spokane, Wash., 13:04.3.

440-Yard Dash — John Smith, Southern Cal. Striders, 44.5 (betters world mark of 44.7 by Curtis Mills in 1969); 2. Wayne Collett, S.C. Striders, 44.7; 3. Fred Newhouse, U.S. Army, 45.7; 4. Darwin Bond, Tenn., 45.9.

880-Yard Run — 1. Juris Luzins, U.S. Marines, 1:47.1; 2. Byron Dyce, United Athletic Association, 1:47.3; 3. Ken Swenson, U.S. Army, 1:47.5; 4. Art Sandison, Cougar T.C., 1:47.6.

440-Yard Hurdles — 1. Ralph Mann, S.C. Striders, 49.3 (betters meet record of 49.5 by Mann in 1970); 2. Wesley Williams, San Diego T.C., 49.8; 3. Jim Seymour, Husky Spike Club, 50.0; 4. Roger Johnson, Pacific C.C., 50.3.

Mile — 1. Marty Liquori, New York A.C., 3:56.5; 2. Jim Crawford, U.S. Army, 3:57.7; 3. John Baker, Sports International, 3:58.3; 4. Ere Van Dyke, Unattached, 4:00.1.

Two-mile Walk — 1. Larry Young, Mid-America T.C., 13:48.2; 2. Jim Hanick, S.C. Striders, 14:10.8.

3,000-Meter Steeplechase — 1. Sid Sink, Bowling Green, 8:26.4 (betters American record of 8:28.4 by George Young in 1968); 2. Mike Manley, Oregon T.C., 8:27.8; 3. Steve Savage, Oregon T.C., 8:29.8; 4. Bob Price, Athletes in Action, 8:33.8.

220-Yard Dash — 1. Don Quarrie, S.C. Striders, 20.2 (Wind-aided); 2. Larry Black, North Carolina Central, 20.3; 3. Willie Deckard, Calif. Inter. TC, 20.3.

Six-Mile Run — 1. Frank Shorter, Florida TC, 27:27.2; 2. Garry Bjorklund, Minn., 27:28.3.

FIELD EVENTS

High Jump — 1. Reynaldo Brown, Cal Poly, San Luis Obispo, 7 feet 3 inches (meet record; previous record 7-2 by John Thomas, Boston University 1960, and Otis Burrell, 49er T.C. 1966); 2. Pat Matzdorf, Sheboygan T.C., 7-2; 3. Tim Heikkila, Minnesota, 7-1; 4. John Hartfield, U.S. Army, 7-1.

Long Jump — 1. Arnie Robinson, San Diego T.C., 26 feet 10 3/4 inches; 2. Bouncy Moore, Oregon T.C., 26-4 3/4; 3. Henry Jackson, U.S. Army, 26-3; 4. Henry Hines, Southern California Striders, 26-1.

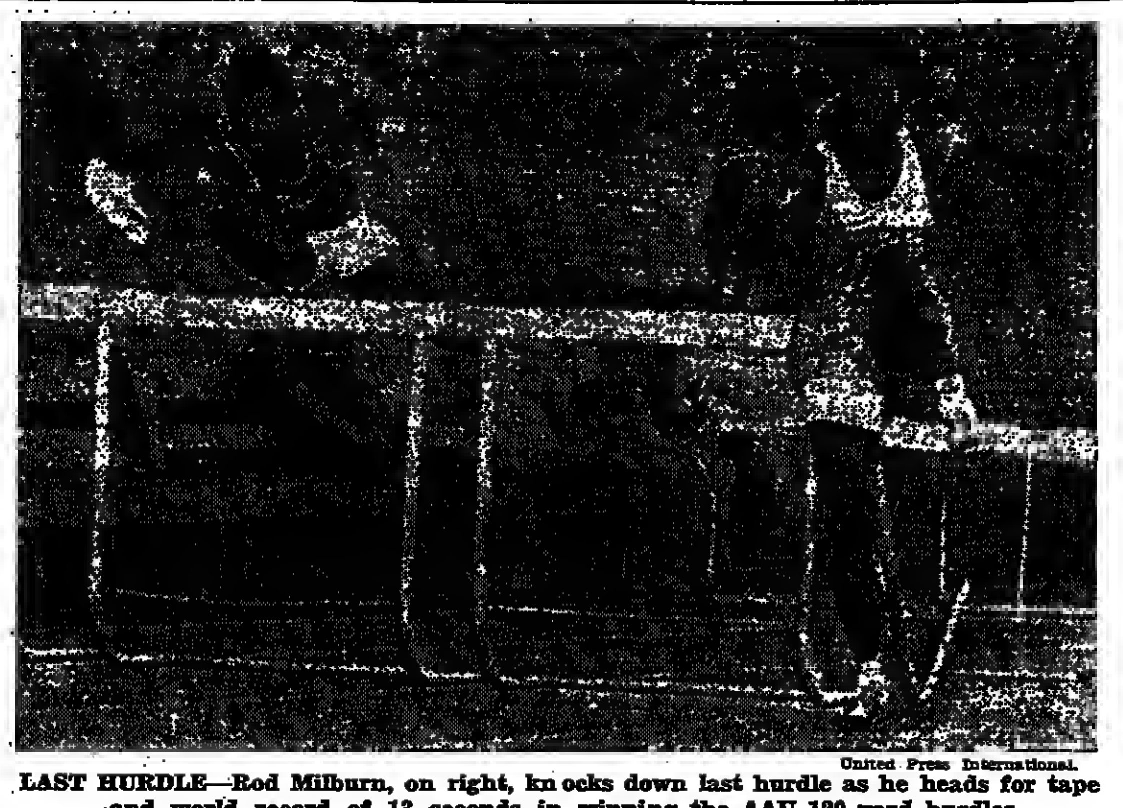
Discus Throw — 1. Tim Vollmer, U.S. Army, 203-4; 2. Rich Drescher, Sports International, 193-10; 3. Gary Ordway, Pacific Coast Club, 187-1; 4. Fred DeBernardi, Pacific Coast Club, 185-0.

Shot Put — 1. Karl Salb, Mid-America T.C., 67 3-3/4; 2. Randy Matson, Texas Striders, 66-1; 3. Al Feuerbach, Pacific C.C., 65-1 (second-place decided on second-best throw).

Javelin — 1. Bill Skinner, New York A.C., 267-2; 2. Gary Feldman, Husky S.C., 263-1; 3. Sam Colson, Mid-America T.C., 258-6; 4. Russ Francis, Oregon T.C., 257-4.

Pole Vault — 1. Jan Johnson, Univ. of Chicago T.C., 17-0; 2. Dave Roberts, Rice, 17-0 (places decided on fewer misses).

Triple Jump — 1. John Craft, Univ. of Chicago T.C., 54-7 (betters meet record of 53-9 1/4 by Art Walker in 1968); 2. Dave Smith, Calif. T.C., 54-5.



United Press International.

LAST HURDLE—Rod Milburn, on right, knocks down last hurdle as he heads for tape and world record of 13 seconds in winning the AAU 120-yard hurdles.

Kessinger Hit Leads Cubs Past Cards

ST. LOUIS, June 27 (AP).—Don Kessinger's two-run single cracked open a tight game in the sixth inning, and the Chicago Cubs went on to beat the St. Louis Cardinals, 4-1, behind Ferguson Jenkins's eight-hit pitching today.

The Cubs routed left-hander Steve Carlton with a 14-hit at-

Sunday

tack but let the Cardinals by only 2-1 when Kessinger singled into left field in the sixth.

Joe Pepitone had led off the inning with Chicago's 11th hit off Carlton, and Chris Cannizzaro and Brock Davis followed with singles loading the bases.

Carlton struck out Jenkins, 11-7, but was unable to master Kessinger as the Cubs completed a three-game series sweep and moved into a third-place tie with the Cardinals in the National League East.

Astros 5, Giants 2

Rookie Ken Forsch tossed a six hitter and Houston banged out ten hits, whipping San Francisco, 5-2.

Expos 12, Mets 4

Montreal scored seven runs in the first inning on six hits and two errors and went on to beat the New York Mets, 12-4. Rookie Charlie Williams, the Met starter, got himself in trouble by walking leadoff man Boots Day and then throwing Stan Swanson's grounder past first.

Phils 6, Pirates 4

Roger Freed's game-tying home run and doubles by Denny Doyle and Willie Montanez keyed a four-run seventh inning and carried Philadelphia to an 8-4 victory over Pittsburgh in the first game of a doubleheader.

White Sox 2, Angels 1

In the American League, Billy Cowan's two-run double gave California a 2-1 victory over Chicago and snapped the White Sox' six-game winning streak in the first game of a doubleheader.

Senators 2, Yanks 1

Del Unser's two-run homer and 6 1/3 innings of three-hit relief by Joe Grzenda enabled Washington to nip the New York Yankees, 2-1, in the first game of a doubleheader and snap Stan Bahnsen's streak of six complete game victories.

Twins 2, Brewers 1

Minnesota scored single runs in the fifth and sixth innings on only one hit and defeated Milwaukee, 2-1, in the first game of a doubleheader.

Red Sox 3, Orioles 1

Right-hander Ray Culp survived fourth-inning trouble with the help of Carl Yastrzemski's strong throwing arm and Boston went on to defeat Baltimore, 3-1, for its third consecutive victory over the Orioles. Culp outduelled Jim Palmer in earning his ninth victory in 14 decisions with a seven-hit effort.

With Boston in front, 2-0, and one out in the fourth, Culp walked Boog Powell. Frank Robinson singled Powell to third. Both runners were forced to hold as Elrod Hendricks lined to Yastrzemski in left.

Brooks Robinson singled, scoring Powell. Dave Johnson then singled to left and Frank Robinson was cut down trying to score on Yastrzemski's perfect throw to the plate.

Indians 3, Tigers 1

Sam McDowell pitched a four-hitter as Cleveland defeated Detroit, 3-1, dropping the Tigers to third place in the American League East.

Red Sox Beat Orioles Twice On Bats of Siebert, Aparicio

BOSTON, June 27 (UPI).—Sonny Siebert hurled a six-hitter and knocked in five runs with a home run, double and fielder's choice last night to lead the Boston Red Sox to a 10-2 rout of the American League East-division leading Baltimore Orioles, and a sweep of their day-night doubleheader.

Shortstop Luis Aparicio collected four hits and accounted for all of Boston's runs in the day game. The winning score came

Saturday

home on his two-out, tenth-inning single to give the Red Sox a 3-2 victory and southpaw Gary Peters his seventh triumph of the year in 12 decisions.

Besides Siebert, Reggie Smith hit two homers and George Scott one in a 12-hit Red Sox barrage off four Baltimore pitchers. The Red Sox, in third place behind the Orioles and Detroit Tigers, trail the leaders by 5 1/2 games.

Yanks 4, Senators 0

Bobby Murcer hit two homers and Mel Stottlemyre pitched a four-hit shutout as the New York Yankees beat Washington, 4-0, and handed Denny McLain his 14th defeat. He has four victories.

White Sox 4, Angels 3

Rich McKinney's two-out single in the tenth inning scored Lee Maye from second base for a 4-3 victory for the Chicago White Sox over California, extending Chicago's winning streak to six games, its longest in four seasons.

Brewers 5, Twins 0

Marty Pattin allowed 11 hits, but gained his third shutout of the season as Milwaukee defeated Minnesota, 5-0.

A's 4, Royals 2

Mike Epstein drove in three runs with a double and single to give Oakland a 4-2 victory over Kansas City and stretch the A's lead in the American League West to 11 games.

Tigers 1, Indians 0

Joe Coleman pitched a five-hitter and Norm Cash scored the game's only run on Eddie Leon's throwing error in the fourth inning to give Detroit a 1-0 triumph over Cleveland.

Pirates 11, Phils 9

In the National League, Bill Mazeroski, Bob Robertson and Roberto Clemente drove in three runs each to lead Pittsburgh to an 11-9 victory over Philadelphia. Robertson hit two home runs, Mazeroski one—his first of the season—as Doc Ellis recorded his tenth consecutive victory and became the first pitcher in the National League to win 12 games.

Cubs 5, Cards 1

Brock Davis and Don Kessinger hit run-scoring singles in the fourth inning and Ron Santo smashed a three-run homer in the seventh to give the Chicago Cubs a 5-1 victory over Bob Gibson and St. Louis.

Braves 1, Reds 0

Ralph Garr singled home Mike Lum with the game's only run in the fifth inning while left-hander George Stone, despite giving up nine hits, pitched Atlanta to a 1-0 victory over Cincinnati.

Mets 2, Expos 1

Jerry Koosman picked up his fourth victory in nine decisions as he pitched a three-hitter to lead the New York Mets to their fourth straight victory over Montreal.

Giants 3, Astros 1

Ron Bryant combined with Steve Hamilton to pitch a six-hitter and drove in two runs with a two-out bases-loaded single to spark San Francisco to a 3-1 victory over Houston.

Dodgers 4, 4, Padres, 2, 3

Richie Allen, after going 0-for-6, bombed a two-out home run in the 13th inning to give Los Angeles a 4-3 victory over San Diego after the Dodgers won the opener of the doubleheader, 4-2.

Friday's and Saturday's Line Scores

FRIDAY'S GAMES

NATIONAL LEAGUE

[illegible]

AMERICAN LEAGUE

[illegible]

SATURDAY'S GAMES

NATIONAL LEAGUE

[illegible]

AMERICAN LEAGUE

[illegible]

Stewart Takes Can-Am Race As Hulme Finishes Second

MONT TREMBLANT, Quebec, June 27 (AP).—Scotland's Jackie Stewart came from behind in his Lola T260 today to upset the McLaren team and win the second Canadian-American Challenge Cup series race this year.

The current leader of the Grand Prix Formula One circuit electrified the crowd of 21,000 at Le Circuit here, when he took race favorite Denis Hulme just before the hairpin turn at the end of the 52d lap.

The McLaren team, winner of 24 of the last 34 Can-Am races since the start of 1967, finished second and third with Hulme and American Peter Revson.

Hulme, winner of this year's first Can-Am race at Mosport, Ontario, and of the pole position for today's 75-lap event, led the first 52 laps, although Stewart pushed him to a new lap record of one minute 33.7 seconds, good for an average speed of 101.81 miles an hour around the 2.65-mile track.

Porsche Wins

ZELTWEG, Austria, June 27 (AP).—The team of Pedro Rodriguez of Mexico and Dick Attwood of Britain today won the 1,000-kilometer auto race in a Porsche 917 on the Oesterreich Ring here.

Switzerland's Clay Regazzoni in a Ferrari 312P swerved off the track and crashed.

The team of Regazzoni and Belgium's Jackie Ickx had led for most of the race, but Rodriguez had already regained the lead at the time of Regazzoni's mishap. The Swiss was not hurt.

The race counted toward the World Manufacturers' Series, which Porsche has already clinched.

Second and third were two Alfa Romeo 333s. Second was the team of Toine Hezemans of Holland, and Nino Vacarella, of Italy, and third, Rolf Stommelen of West Germany, and Nanni Galli of Italy.

Peterson Wins

ROUEN, France, June 27 (AP).—Sweden's Ronnie Peterson, in a March-Cosworth, today won the Formula Two Rouen Grand Prix auto race and took the lead in the European Formula Two championship.

Peterson was challenged only twice in the 25-lap final by France's François Cevert, whose race ended in an accident at midcourse after a wheel-to-wheel battle with Peterson. Cevert was unhurt.

Brothers Killed

MARSEILLES, June 27 (UPI).—Bernard Darniche of France and Alain Mahé drove their Renault Alpine to victory in the 4,000-kilometer Coupe des Alpes auto rally.

But the six-day event over the most gruelling of roads in the French Alps also brought with it the death of two young French brothers who had just started rallying. Police said Christian and Yves Ferradori died instantly when their Lancia plunged 200 meters into a ravine on the Col de l'Iseran. The pair were competing in an accompanying event for French drivers only, officials said.

xson Passes est to Triumph er East Stars

LUBBOCK, Texas, June 27 (AP).—Chuck Hixson of Southern Methodist, subbing for Heisman Trophy winner Jim Plunkett, tossed a 29-yard touchdown pass to Nebraska's Joe Orduna with 31 seconds remaining to give the West a 33-28 victory over the East in the 11th annual Coaches All-American football game last night.

Hixson, the Southwest conference passing leader for three years, entered the game with two minutes to play and the West trailing, 28-26, after Alabama quarterback Scott Hunter carried for a three-yard touchdown at

Hixson moved the West 57 yards in five plays, two in the air. After Orduna caught the pass, he broke four tackles and stumbled into the end zone.

The East led at halftime, 14-7, after Hunter hit Michigan receiver Paul Staroba on a 57-yard touchdown pass and then led a 34-yard, eight-play scoring march.

The West's only first-half score came when Arizona State's J. D. Hill took a punt on his own 27-yard line and raced along the sideline for a touchdown.

67 by Mitchell Gives Him Lead Of 4 in Cleveland

CLEVELAND, June 27 (UPI).—Bobby Mitchell scored an eagle 3 on the tenth hole, en route to a four-under-par 67 yesterday and took a four-stroke lead after three rounds of the $150,000 Cleveland Open golf tournament with a total of 197.

Mitchell, the second-round leader by one stroke, was even par for nine holes yesterday and tied at 12 under par with Masters champion Charles Coody, who shot a record 62 on the 6,618-yard par-71 Beech Mont Country Club course.

Sikes had a 71 yesterday and is at 202 five shots back going into the final round. Jacklin who had a 63 Friday, ran into trouble and finished with a 73 for a 54-hole score of 205.

THIRD-ROUND LEADERS

Bobby Mitchell	[illegible]—197
Charles Coody	[illegible]
Bruce Crampton	[illegible]
Dan Sikes	[illegible]
Phil Rodgers	[illegible]
Jerry McGee	[illegible]
Bobby Cole	[illegible]
Mason Rudolph	[illegible]
Billy Casper	[illegible]
Jerry Heard	[illegible]
Deane Beman	[illegible]
Bill Garrett	[illegible]
George Bellos	[illegible]
Tony Jacklin	[illegible]—205
Bob Smith	[illegible]

Merckx Leads Tour de France After 1st Stage

MULHOUSE, France, June 27 (UPI).—Eddy Merckx of Belgium held the lead at the end of the first stage of the Tour de France cycle race today.

The 214.5-kilometer stage was run in three legs, with Eric Leman of Belgium winning the first, Gorben Karstens of Holland the second and Belgian Albert Van Vlierberghe outsprinting the pack to take the final leg.

Merckx, whose team won the opening time trial yesterday to give the two-time winner a 20-second bonus before the stage started, led teammate Herman Van Springel by four seconds in the overall standings.

Cyclists in the Tour de France cycle race rode at a crawl for several miles at the start of the first stage after threatening not to start at all.

The riders were protesting that the prize money offered for the Tour is insufficient and less than last year.

Rosewall Wins at Wimbledon

Richey, Smith Gain; Parun Tops Riessen

By Fred Tupper

WIMBLEDON, England, June 27 (NYT).—As the seedings had predicted, Stan Smith and Cliff Richey have reached the quarter-finals at Wimbledon, but yesterday's surprise was the man who didn't—Marty Riessen, who was beaten by little-known Onny Parun of New Zealand.

Big Stan and Little Cliff put three Americans in the last eight, as Tom Gorman reached there Friday.

And for the record, only three of the World Championship Tennis contract pros have made it, as 36-year-old Ken Rosewall joined Rod Laver and John Newcombe, winners Friday. The last man in is Colin Dibley, the brawny big server who used to search bags as a customs officer in Sydney.

It took fourth-seeded Smith some time to settle down against two-time Wimbledon champion Roy Emerson. For a set, Emmo couldn't put a shot wrong. He was wheeling his windmill serve into the corners, volleying like a demon and catching Stan off balance with a beautifully disguised touch on the lob.

It was gusty on center court and Smith was having trouble at first with his cannon ball service. By correcting his toes, he got the range and in a twinkling his ground shots began to thud home.

From a set down, the "leaning tower of Pasadena" galloped through two sets and when he broke Emerson back to lead 5-4 in the fourth, the end was in sight. Smith had three match points and wonderfully, Emmo saved them all. In the 14th game two more match points went astray and Smith finally wrong-footed the Australian with a passing shot that Emerson could only scratch with his racket. Victory to Smith, 2-6, 6-1, 6-3, 9-7.

Borowiak Bows

Jeff Borowiak gave sixth-seeded Richey a fright. The 21-year-old concert pianist from UCLA has a stilted style, with a hitch in his shoulder as he throws the ball up and a stab at the volley rather than punching it. But Jeff eats up the ground around court and his eye was keen for the opening. A cross-court forehand and the sweetest of dinks gave him the breakthrough to 2-0 with a set apiece.

Tough and tenacious, Richey switched tactics. He began to lob now and drop shot, running Borowiak long and short. Match to Richey, 6-4, 4-6, 6-4, 6-4. "I was physically and mentally tired after a tough week," said Cliff.

Parun, 24, becomes the first man from New Zealand to reach the quarters here since Anthony Wilding in 1914. Lean and angular, all knobs and knees, Onny blunted Riessen's power game by taking the ball early and beating him to the punch around net. Riessen had upset Arthur Ashe the last time out and seemed destined for a crack at Smith. But the feel deserted him and Parun romped, 9-8, 6-2, 3-6, 6-3, taking seven straight points for the tie-break at love.

Dibley defeated the tiny Mexican, Joaquin Loyo-Mayo, 6-3, 8-6, 6-3, losing only one service game throughout. But his presence in the quarters seemed assured after his five-set upset of Dennis Ralston a round earlier.

With the sky graying and raindrops starting to fall, Rosewall passed a stiff test in beating fair-haired Fred Stolle, 6-4, 7-5, 7-9, 6-4. The gallery was full of old champions—Vic Seixas, Frank Sedgman, Jar Drobny, Fred Perry—all marveling at Ken's feathery control of the ball.

Miss Wade Loses

Center court was shrouded in gloom as fifth-seeded Virginia Wade had her annual June malaise. Well as she plays elsewhere, the British girl seems confounded by Wimbledon. For the third time in a row here, she lost to Mrs. Judy Dalton of Australia, 9-8, 6-3.

Last Briton in the tourney is Winnie Shaw of Scotland, who beat Mrs. Lesley Bowrey of Australia, 1-6, 9-7, 6-3. Mrs. Nancy Gunter, long-time American great, stopped Saiga Yansone, the 17-year-old Russian junior champion, 6-3, 6-2. Word went swiftly round the grounds that Evonne Goolagong was a set down but the Australian aborigine, 19, began to concentrate and beat Lesley Hunt, 1-6, 6-2, 6-1.

Major League Standings

AMERICAN LEAGUE

Eastern Division

	W	L	Pct.	GB
Baltimore	45	25	.643	—
Detroit	41	31	.569	5
Boston	39	31	.557	3
New York	34	37	.479	11 1/2
Cleveland	31	39	.443	14
Washington	24	45	.318	20 1/2

Western Division

	W	L	Pct.	GB
Oakland	43	23	.678	—
Kansas City	35	32	.522	11
Minnesota	35	37	.486	13 1/2
California	32	43	.427	18
Chicago	23	38	.424	17 1/2
Milwaukee	28	39	.418	18

(Sunday's games not included.)

Friday's Results

New York 12, Washington 2.
Baltimore 7, Boston 3.
Chicago 2, California 0.
Detroit 8, Cleveland 1.
Milwaukee 3, Minnesota 1.
Oakland 7, Kansas City 0.

Saturday's Results

Milwaukee 5, Minnesota 0.
Chicago 4, California 3.
New York 4, Washington 0.
Oakland 4, Kansas City 2.
Boston 3, 10, Baltimore 2, 2.
Detroit 1, Cleveland 0.

Sunday's Games

Washington 2, 3, New York 1, 0.
Boston 3, Baltimore 1.
California 3, Chicago 1.
Cleveland 3, Detroit 1.
Kansas City at Oakland, 2.
Minnesota 2, Milwaukee 1.

NATIONAL LEAGUE

Eastern Division

	W	L	Pct.	GB
Pittsburgh	47	23	.644	—
New York	42	28	.600	3 1/2
St. Louis	39	38	.520	9
Chicago	36	35	.507	10
Philadelphia	29	42	.408	17
Montreal	28	41	.406	17

Western Division

	W	L	Pct.	GB
San Francisco	49	26	.653	—
Los Angeles	41	33	.554	7 1/2
Houston	34	38	.472	13 1/2
Atlanta	30	42	.482	14 1/2
Cincinnati	32	43	.427	17
San Diego	26	49	.347	23

(Sunday's games not included.)

Friday's Results

New York 4, 4, Montreal 1, 2.
Chicago 12, St. Louis 0.
Atlanta 0, 10, Cincinnati 6, 2.
Pittsburgh 14, Philadelphia 4.
Houston 5, San Francisco 4.
San Diego 5, Los Angeles 4.

Saturday's Results

Pittsburgh 11, Philadelphia 9.
New York 2, Montreal 1.
Chicago 5, St. Louis 1.
Atlanta 1, Cincinnati 0.
San Francisco 3, Houston 1.
Los Angeles 4, 4, San Diego 2, 3.

Sunday's Games

Montreal 12, New York 4.
Chicago 4, St. Louis 1.
Philadelphia 8, Pittsburgh 4.
Houston 3, San Francisco 2.
Los Angeles 7, San Diego 2.
Cincinnati at Atlanta.

Irish Sweeps Is Captured By Irish Ball

CURRAGH, Ireland, June 27 (AP).—Irish Ball, ridden by Alfred Gilbert of France, stormed to a three-length victory in the $209,300 Irish Sweepstakes Derby yesterday after favored Linden Tree was left at the post.

Gilbert took Irish Ball, a French-bred bay colt by Baldric II out of Irish Lass, to the front a quarter of a mile from the finish. Lombardo finished second and American-bred Guillemot, bought for $58,000 by Paddy Prendergast of Ireland, was a head away in third place.

Irish Ball was the 7-2 second choice in a field of 15 3-year-olds that competed in the 1 1/2-mile grass race.

The victory was worth $149,688 to the winning English owner, Emile Little. His colt is trained at Chantilly in France by Phillip Lallie.

Owners of winning tickets in the Irish Sweeps lottery collected $120,000 each. The tickets are sold in more than 100 countries.

The big shock of the race, though, was the failure of the 7-4 choice, Linden Tree, to get going. He had finished second to Mill Reef in the English Derby, in which Irish Ball ran third.

Duncan Keith finally managed to get Linden Tree out of his stall in the gate, but the colt was a quarter of a mile behind the others by that time. Keith said his mount threw his head in the air at the start. A steward's inquiry into the incident turned up no irregularities.

Three American-owned horses, Music Man, Tantoul and Grenfell, finished out of the money and a fourth American-owned horse, The Last Hurrah, was a last-minute scratch.

Rheffic Wins

PARIS, June 27.—Jockey Bill Pyers took favorite Rheffic to the front two furlongs from the finish and held off the challenge of Jean Massard on Point de Riz to win the 800,000-franc ($145,000) Grand Prix de Paris today.

The 3-year-old, owned by Mrs. François Dupré and trained by François Mathet, won by a head with Valdrague third in the 3,100-meter race.

Pyers also rode Rheffic to victory in the French Derby three weeks ago.

Canonero II Sold

NEW YORK, June 27 (AP).—Canonero II, the Venezuelan-owned colt which won the Kentucky Derby and the Preakness, has been purchased by Robert Kleberg, Jr., for a sum "in excess of $1 million" it was announced Friday.

Trainer W. J. (Buddy) Hirsch made the announcement at Belmont Park on behalf of Kleberg, master of the King Ranch in Texas. The horse was bought from Pedro Baptista of Caracas.

Observer

The 3 Job Hunters

By Russell Baker

Baker

ONCE upon a time in the land of good King Richard there lived a poor highly-paid man who had denied himself a color television set and a 30-foot sailboat in his struggle to raise three stout sons.

They were named, with the ridiculous over-simplification that was so fashionable in that time, the First Son, the Second Son and the Third Son.

One day while the king was out vacationing, the father called the First Son to his automobile-side and told him that he was now big enough to go out and get a job.

The First Son, who has spent 23 years acquiring certificates attesting to his fuller education, went down to the Cosmodynamic Automated Processing Research Corporation plant.

"I have come for a job," he told a hiring agent who wore a suit, punched holes in cards and couldn't wait for the work-day to end so he could have two martinis. He looked at the First Son's certificates. They showed that various educational institutions had declared him qualified to research the most advanced forms of processed automated cosmodynamics and to read between the lines of the newspapers.

* * *

Punching holes in a card, the hiring agent told the First Son that he was "overqualified" for the kind of work which the corporation needed at this particular plant.

"Your mistake," he explained, "was in getting too much education. Educated workers are a dime a dozen these days. Next time, don't believe everything they tell you about college people getting the jobs."

"Suppose I go back to college and unlearn everything?" the First Son proposed.

The hiring agent was unenthusiastic. "It would probably take years," he noted, "and by that time we might need educated workers again. Why don't you go on welfare and earn the contempt of every decent, hard-working American taxpayer?"

* * *

When the First Son told his father what had happened, the father told him not to worry. The Second Son, he pointed out, had practically no education whatever, having spent the past several years burning incense on a mattress, growing hair and striving to make his mind a complete blank.

"The Second Son will qualify for a job," said the father. "And since he has renounced American materialism he will surely give you his salary so that you may go back to college and begin unlearning the education which disqualifies you to work in the American economy."

The Second Son, who was barefooted, dressed in the latest rags and wore a necktie around his head, did as his father proposed.

When the hiring agent saw him enter, he began screaming. "No, no, no!" When he had recovered, he told the sweetly-smiling Second Son that the Cosmodynamic Automated Processing Research Corporation had no jobs for men who wore neckties around their heads, hair down to their shoulder blades, jeans with the knees out and street dirt over bare feet.

"You'll never get a job that way, mister," the hiring agent advised him. "If you want to work here you've got to get a haircut, put on a suit and necktie and wear shoes."

* * *

So the father called to him the Third Son, who had a crew cut, wore a regimental tie, a blue-serge suit, two-tone shoes and a George-Wallace-for-President button.

"I have come for the job," the Third Son told the hiring agent.

The hiring agent glanced up just long enough to note that the Third Son had no education to speak of and looked neat enough to qualify as a special assistant on good King Richard's staff. And having noted that, he went back to the hole he was punching in a card while explaining, "There aren't any jobs, kid, beat it."

French Dump Potatoes

ST. MALO, France, June 27 (AP).—Farmers unhappy with low potato prices Friday dumped about 700 tons of them on a main intersection and highways leading into town.

Associated Press.

Happy Ending

The stork that was *flying around* Vienna with an arrow in its feathery chest was finally caught and brought to veterinarian Adalbert Mikulicz. With the help of some aides, Dr. Mikulicz (above) performed the delicate operation of removing the arrow. For the first time in a week the stork will be able to search for food *unimpeded and without the threat to its life.* The agitated Viennese public is relieved, but the hunt for the vandal archer goes on.

Greek Church Prayer Describes Tourism as a Plague

ATHENS, June 27 (NYT).—The Greek Orthodox Church has described tourism as a plague and called foreign tourists "Western invaders" in the text of a new prayer.

The Greek government is promoting tourism, and about 2 million foreigners are expected to visit the country this year, contributing in the process more than $250 million to the country's balance of payments.

The text of the prayer reads:

"Lord Jesus, Son of God, have mercy on the cities, the islands and the villages of our Orthodox fatherland, as well as on the holy monasteries, which are plagued by the worldly touristic wave. Grace us with a solution of this dramatic problem and protect our brethren who are sorely tried by the modernistic spirit of these contemporary Western invaders."

A Greek church source said that the prayer was exclusively intended for the monasteries, where visiting tourists were a *serious problem for those who had taken vows to live in* seclusion.

PEOPLE: *Marcel Marceau Walks Off Rio Stage*

Keystone.

Marcel Marceau

French mime Marcel Marceau, currently performing in Rio de Janeiro, walked off stage in a fury Friday night because there was loud giggling backstage. He later returned to complete his act. The incident, the first in Marceau's 25-year career as a mime, happened during the performance of the act "Bip, the Tailor in Love" at the Municipal Theater. After he walked off stage, theater officials and a few members of the audience went backstage and managed to persuade Marceau to return. He did so after all auxiliary theater personnel backstage were evacuated. "It was total lack of respect for the artist," the mime said later. "The giggling and laughter was so loud that I could not concentrate."

* * *

Buster Crabbe, star of "Tarzan" and "Flash Gordon" movies and a 1932 Olympic swimming champion, returned to the scene of his first big splash Saturday to set a world record for the 60-64 age group. Crabbe, 63, clocked 6 minutes 37.1 seconds for the 400-meter freestyle, shattering the previous 60-64 world record by more than a minute at the Los Angeles Swim Stadium, in the same pool in which he won his Olympic gold medal 39 years ago by swimming the distance in 4:48.4.

* * *

Tricia and Ed Cox spent their honeymoon at Camp David, the secluded U.S. Presidential retreat in the Maryland mountains, White House sources have disclosed. The couple disappeared from public view following their June 12 wedding without disclosing their travel plans. The mountain-top retreat provides complete privacy and little need for close Secret-Service surveillance. The area is secured by a Marine guard, high fences and patrol dogs. Tricia has said in the past that Camp David is one of her favorite retreats because it provides, along with the privacy, freedom for hiking, biking, swimming, skeet-shooting, tennis and bowling. Young Cox is very athletic and his bride joins in some of the less energetic activities.

* * *

Yugoslavian tennis star Nikki Pilic, 31, put down his racket Friday, picked up a wedding ring and married actress Mija Ad[illegible] movie, 29, at the Yugoslavian Em[illegible]bassy in London. Then the co[illegible]ple headed back to suburb[illegible] Wimbledon to watch the A[illegible] England tennis championshi[illegible] Pilic said he had hoped to mar[illegible] in a Roman Catholic church [illegible] there was no time to arran[illegible] it, since he was unable to me[illegible] residential requirements. T[illegible] athlete was knocked out of t[illegible] Wimbledon singles on Thursd[illegible] but is still in the running f[illegible] the doubles title with partn[illegible] Cliff Drysdale, of South Afric[illegible]

* * *

Composer Rudolf Friml w[illegible] released from Hollywood Presb[illegible]terian Hospital over the weeke[illegible] to end the first such stay in [illegible] life. He is 91 years old. Fri[illegible] entered the hospital a week a[illegible] for what was then described [illegible] a "routine checkup." He unde[illegible]went minor surgery of an u[illegible]disclosed nature and was relea[illegible]ed in "superb condition," a spoke[illegible]man said, after having deman[illegible]ed—and got—a glass of beer [illegible] he was wheeled out of the opera[illegible]ing room. A longtime physica[illegible] fitness buff, the composer's mi[illegible] is as alert as ever. Interview[illegible] on the gap between his mu[illegible] ("Rose Marie," "The Vagabo[illegible] King," etc.) and modern p[illegible] compositions, he said: "Too mu[illegible] guitar. An awful instrument. B[illegible] it is easy for them to learn [illegible] play, probably. Songs have [illegible] sense to them. There are [illegible] melodies, just a little tinkli[illegible] of guitar and bits and pieces. [illegible] other words, they don't take mus[illegible] seriously."